Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2021 - 31.12.2021

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:	07.04.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

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, 13.06.2023

Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Inntekter			
Salgsinntekter		137 939 000	76 675 000
Gains from sale of assets			35 341 000
Annen inntekt		-2 016 000	4 554 000
Sum inntekter	6	**135 923 000**	**116 570 000**
Kostnader			
Driftskostnader	7	35 137 000	27 436 000
Letekostnader	7	44 731 000	20 878 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	13,14	32 521 000	90 941 000
Sum kostnader		**112 389 000**	**139 255 000**
Driftsresultat		**23 534 000**	**-22 685 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	11	7 000	314 000
Annen finansinntekt	11	1 008 000	266 000
Verdiøkning andre finansielle instrumenter vurdert til virkelig verdi	11	32 000	2 451 000
Sum finansinntekter		**1 047 000**	**3 031 000**
Nedskrivning av finansielle eiendeler	11	1 056 000	988 000
Accretion expense asset retirement obligation	11	6 098 000	6 176 000
Annen rentekostnad	11	10 391 000	11 057 000
Annen finanskostnad	11	420 000	969 000
Sum finanskostnader		**17 965 000**	**19 190 000**
Netto finans		**-16 918 000**	**-16 159 000**
Ordinært resultat før skattekostnad		**6 616 000**	**-38 844 000**
Skattekostnad på ordinært resultat		1 321 000	-29 411 000
Ordinært resultat etter skattekostnad		**5 295 000**	**-9 433 000**
Årsresultat		**5 295 000**	**-9 433 000**

Resultatregnskap

Beløp i: USD	Note	2021	2020
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		5 295 000	
Sum overføringer og disponeringer		**5 295 000**	

Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Immaterielle eiendeler	14	106 071 000	121 122 000
Sum immaterielle eiendeler		**106 071 000**	**121 122 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	13	428 526 000	345 298 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende	24	506 000	731 000
Sum varige driftsmidler		**429 032 000**	**346 029 000**
Finansielle anleggsmidler			
Andre fordringer		136 000	140 000
Sum finansielle anleggsmidler		**136 000**	**140 000**
Sum anleggsmidler		**535 239 000**	**467 291 000**
Omløpsmidler			
Varer			
Varer		8 394 000	9 376 000
Sum varer		**8 394 000**	**9 376 000**
Fordringer			
Kundefordringer	18	21 325 000	13 805 000
Tax receivable	12	28 501 000	56 891 000
Sum fordringer		**49 826 000**	**70 696 000**
Investeringer			
Andre finansielle instrumenter	21	222 000	2 451 000
Sum investeringer		**222 000**	**2 451 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	9	21 839 000	16 846 000
Sum bankinnskudd, kontanter og lignende		**21 839 000**	**16 846 000**
Sum omløpsmidler		**80 281 000**	**99 369 000**

Balanse

Beløp i: USD	Note	2021	2020
SUM EIENDELER		**615 520 000**	**566 660 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		114 230 000	114 230 000
Sum innskutt egenkapital	19	**114 230 000**	**114 230 000**
Opptjent egenkapital			
Fond		20 837 000	15 542 000
Annen egenkapital		-1 871 000	-3 478 000
Sum opptjent egenkapital		**18 966 000**	**12 064 000**
Sum egenkapital		**133 196 000**	**126 294 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	12	124 431 000	73 783 000
Andre avsetninger for forpliktelser	20	181 362 000	160 936 000
Sum avsetninger for forpliktelser		**305 793 000**	**234 719 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	17	44 889 000	127 501 000
Øvrig langsiktig gjeld	23,24	264 000	9 349 000
Sum annen langsiktig gjeld		**45 153 000**	**136 850 000**
Sum langsiktig gjeld		**350 946 000**	**371 569 000**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	17	84 602 000	24 168 000
Leverandørgjeld	22	27 904 000	31 024 000
Annen kortsiktig gjeld	20,21, 23,24	18 871 000	13 605 000
Sum kortsiktig gjeld		**131 377 000**	**68 797 000**
Sum gjeld		**482 323 000**	**440 366 000**

Balanse

Beløp i: USD	Note	2021	2020
SUM EGENKAPITAL OG GJELD		**615 519 000**	**566 660 000**

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
Postboks 748 Sentrum
0106 OSLO

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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Postboks 9200 Grønland
0134 Oslo

Besøksadresse:
Se www.skatteetaten.no
Org.nr: 996250318
E-post:
skatteetaten.no/sendepost

Sentralbord
800 80 000
Telefaks
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

– A SHARP EYE FOR NCS OPPORTUNITIES –

ANNUAL REPORT 2021

PANDION ENERGY

[redacted]34

INTRODUCTION

DIRECTORS' REPORT & FINANCIAL STATEMENTS

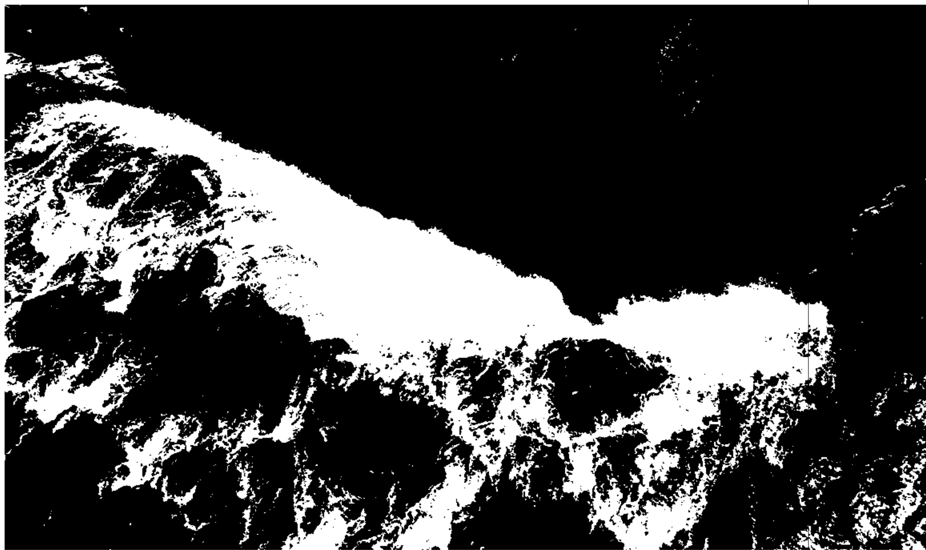
SUSTAINABILITY REPORT

INTRODUCTION

Introduction

About Pandion Energy

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 six 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 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, targeting upsides in and around proven assets with access to existing infrastructure.

The current portfolio comprises a 10 per cent interest in the producing Valhall and Hod 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.

In March 2022, the company announced the acquisition of ONE-Dyas Norge AS. The transaction includes a 10 per cent share of the Nova field, expected to start production in the second half of 2022, and a total of 10 exploration licences.

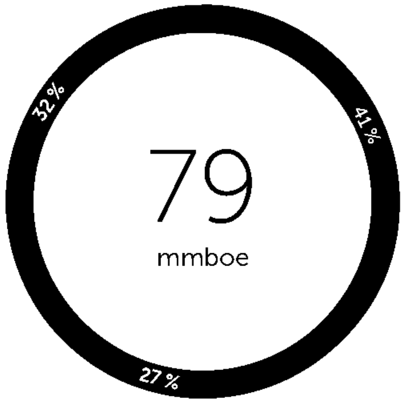
Pandion Energy has a team of highly experienced oil and gas professionals with strong and proven subsurface, financial, and commercial competence, as well as extensive project execution experience on the NCS. Pandion Energy is headquartered in Oslo, Norway.

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 b capital commitments from a blue-chip instit investor base.

Since its inception, Pandion Energy has bee committed to maintaining a low carbon foo as demonstrated by carbon intensity levels p which are amongst the lowest in the Norwe global E&P industry, ranging from 1 – 3.4 k of CO_2 per barrel of oil equivalent in 2020, Energy was one of the first exploration and (E&P) companies in Norway to achieve carb neutrality for CO_2 emissions in scopes 1 and

Key figures end 2021

Reserves & Resources



Valhall & Hod 2P
32.1 mmboe net

Valhall & Hod 2C
21.3 mmboe net

Slagugle 2C
15-40 mmboe net

Key figures

	2021
Production in boepd	5,152
Net sales in boepd	5,516
Average realised price (USD/boe)	68.6
(USD`000)	
Revenues	137,939
EBITDAX	100,785
Total assets	615,519
Total equity	133,196
Total interest bearing debt	135,841

Letter from our CEO

During our first five years in operation, we have grown to become a recognised player in exploration and development on the Norwegian continental shelf (NCS). Our 10 per cent interest in the Valhall area gives us daily production of over 5 000 barrels of oil equivalents. In March 2022, we announced the acquisition of the Norwegian operations of Dutch company ONE-Dyas, which represents a new quantum leap in the Pandion Energy story and secures the foundation for further growth.

This transaction includes a 10 per cent share of the Nova field, which is planned to come on stream in the second half of this year. When that field reaches plateau output, our daily production will be more than doubled.

Also nearly doubling our exploration bank, the ONE-Dyas portfolio fits well with our existing holdings. The Nova development is a subsea infrastructure with a low CO_2 footprint, well in line with our environment, social and governance (ESG) strategy.

Five exciting years

Looking back, our first five years have been an interesting, rewarding and exciting journey. We have participated in all the awards in predefined areas (APA) rounds and secured licence interests in each of them.

We have built a strong culture, based on short decision lines, a high level of competence, professionalism, and full interdisciplinary cooperation. From the start, our management group has consisted of 50 per cent men and women.

We prequalified as a licensee and completed the management buyout from Tullow Oil Norge in 2017, with Duva as our first development asset. Late that year, we also became a 10 per cent partner in the producing Valhall and Hod fields and thereby advanced to being a full-cycle oil and gas company much earlier than planned.

In 2018, we secured a robust financial platform and continued developing our assets and adding to our portfolio. Our NOK 400 million bond loan was listed on the Nordic ABM in October that year.

The Duva plan for development and operation (PDO) was approved in 2019, and we chose to divest our 20 per cent interest in the field in November that year. Duva represented the core of our strategy – add value to high-quality assets and mature them up the development curve, in this case with an increase in recoverable resources of more than a 50 per cent since the initial discovery.

With this sale, we crystallised some of the value created in our portfolio to date, and further strengthened our capacity to take advantage of future opportunities on the NCS.

Great attention was paid in 2020 on managing Covid-19 impacts. Despite the comprehensive infection control measures, we succeeded in growing the

resource base through several discoveries. C
cent interest in the Slagugle discovery was t
addition to our reserve base and also the big
discovery on the NCS that year.

During the spring of 2020, investment activi
resumed as a direct consequence of the ter
amendments to the Petroleum Tax Act enac
Norwegian Storting (parliament).

This made it possible for the Hod field redevelopment to become the first project realised under the temporary tax changes. A PDO for Hod, where we hold a 10 per cent equity interest, was submitted in June 2020 and approved that December.

Looking back, our first five years have been an interesting, rewarding and exciting journey.

Another Covid year
Throughout 2021, we continued to monitor the Covid-19 situation closely 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 also continued to be implemented to ensure safe and reliable operations.

Despite the infection control measures, 2021 was a year with several positive developments for us. Once again, I would like to extend my thanks to our team for the way it has tackled these challenging times, demonstrating professionalism, dedication and flexibility.

In January 2022, we were happy to announce the award of three licences in the 2021 APA round. In addition to expanding our exploration portfolio, we secured strategically important acreage adjacent to a recent discovery which strengthens our position in an area where we see further potential.

The Slagugle discovery was matured further during the year. This maintained the positive initial estimates, and further appraisal of Slagugle is on schedule. A new appraisal well was spudded early in March 2022 and the results are expected in the second quarter.

Estimated reserves in the Iving discovery have been downscaled this year, and this asset has consequently reverted to being regarded as an exploration licence.

Further development of the Valhall area
The Valhall area continues to develop well, with three new infill wells sanctioned and drilled to deliver the expected results.

An important milestone in revitalising this area was reached in August, when the Hod B platform was installed on the field at the southern end of Norway's North Sea sector. This occurred just 14 months after the first steel was cut at Kværner's yard in Verdal. The platform was delivered on schedule with a high level of quality and with no harm to people or the environment.

We have built a strong culture, based on short decision lines, a high level of competence, professionalism, and full interdisciplinary cooperation.

This impressive delivery is very much in line
ability of the operator, Aker BP and its allianc
to execute fabrication projects.

In December, the Valhall licence continued
forward a joint development concept for a r
platform (NCP) together with the King Lear l
This project will help to extend production l
increase value creation from the Valhall area
development is expected to come on strean
and will imply a longer producing life for the
Valhall area.

Towards net zero carbon
We launched our strategy for achieving net
carbon emissions in January and became o
first E&P companies to achieve carbon neut
2020 for scopes 1 and 2 emissions.

We recognise that climate changes is of critic
importance to the future of the planet and s
the goal of the Paris agreement to achieve a
neutral global economy. The energy transiti
inevitably have an impact on the E&P indust
the future and we will concentrate our atter
maintaining our low carbon footprint to me
trend. Despite having one of the lowest CO_2
on the NCS and in the global E&P industry, v
recognise the importance of further minimis
carbon impact as swiftly as possible.

In 2021, the CO_2 intensity of our production
from Valhall and Hod was 1.5 kg CO_2e/boe.
commitment to carbon neutrality has initiall
achieved by offsetting CO_2 emissions throug
programmes aligned with the UN sustainabl

development goals. The offsetting market is still immature, and we will monitor and review our offsetting strategy in the time to come.

In this year's report, we are aligning our sustainability reporting with the recommendations of the task force on climate-related financial disclosures (TCFD).

We aligned our management system, investment criteria and operational tools with the net zero carbon strategy throughout the year, and established a CO_2 accounting system for our equity-based emissions. We will be putting increased emphasis on mapping our indirect GHG emissions under equity-based scope 3. As a licensee, we are reliant on working closely with the operators on emission reduction, and are pleased to see the strategic priority given to reducing scope 3 emission among our operator partners.

Launching Wellify
In July, we officially launched Wellify, a new digital visualisation tool for analysing geochemical and mineralogical data from drill cuttings. These data contain valuable information for companies exploring for oil and gas, and can be further utilised to improve efficiency and safety in drilling operations. The Wellify tool can also potentially be utilised to identify reservoir zones suitable for CO_2 storage.

Wellify is the first product from Cuttings Insight, a non-commercial collaboration project we initiated in 2020 with DNO Norge AS and Spirit Energy Norway AS as partners and Itera ASA as the technical provider. The launch of Wellify marked the end of a successful development and test period. The product is now in daily use with all three companies, demonstrating the rapid acceptance of new digital solutions when these are user driven.

Outlook
We are entering 2022 with a strong balance sheet which permits further merger and acquisition activities. We remain committed to our strategy of being an active, responsible partner and a full-cycle oil and gas company with long-term ambitions.

We are entering 2022 with a strong balance sheet which permits further merger and acquisition activities.

Operationally, 2022 looks set to be another exciting year for us, with participation in two exploration wells. This is in addition to a planned appraisal well on Slagugle. Hod is anticipated to come on stream during the first half, and a PDO is expected to be submitted for the NCP development before the end of the year.

In addition, we will work actively on integrating the ONE-Dyas assets and team into our portfolio.

In recent weeks, we have all been saddened by the acts of war taking place in the Ukraine. While the human suffering is clearly our main concern, we must also acknowledge that economic uncertainty may have an impact on our business and our markets going forward. This in spite of the immediate effects in increasing oil and gas prices.

Jan Christian Ellefsen
CEO

Introduction

Valhall and Hod

The gigantic Valhall area is one of the largest oil producers in the Norwegian North Sea. Since coming on stream in 1982, over a billion barrels of oil equivalent, more than three times the recovery initially estimated, has been produced from this area.

Although Valhall and Hod have been in production for several decades, an enormous potential remains to be tapped. Comprehensive modernisation of the area is underway, with tie-in of new flank platforms and removal of the old obsolete platforms enabling the ambition to produce another billion barrels in the future with minimal emissions.

The Valhall area consists of the Valhall and Hod fields in the southern part of the Norwegian sector in the North Sea.

Valhall
The Valhall field centre currently consists of five bridge-connected platforms for accommodation and processing (PH), drilling (DP), processing and compression (PCP), wellhead (WP) and water injection (IP). Three normally unmanned and remotely operated flank platforms (North, South and West) are located a few kilometres from the field centre. The produced oil is exported via pipeline to Ekofisk and on to Teesside, while the gas is exported via Norpipe to Emden in Germany.

Hod
The Hod field is located 13 kilometres south of Valhall. When it came on stream in 1990, the original Hod wellhead installation was the first unmanned platform in the Norwegian North Sea. All wells on the Hod platform are shut in, and in recent years, this reservoir has been produced by wells drilled from the Valhall Flank South platform.

A PDO for Hod was approved by the Ministry of Petroleum and Energy in late 2020. This was one of the first development projects to be realised under the temporary changes made to the Norwegian Petroleum Tax Act in June 2020 following the Covid-19 outbreak. The field has been redeveloped with a NUI, Hod B, utilizing the same concept, alliance partners and execution model as the Valhall Flank West project, which was successfully completed and installed on the field in 2019.

Both jacket and topsides were built at the Aker Solutions yard in Verdal, and were successfully installed on the field during the summer of 2021. The wellhead platform was delivered on schedule, with no harm to people or the environment.

Production drilling commenced during the last quarter of 2021. Production is scheduled to begin in the first half of 2022, expecting to produce 40 million barrels of oil equivalent. Hod B will be remotely operated from Valhall, and CO_2 emissions will be close to zero owing to the use of power from shore via the Valhall field centre.

CO_2 emissions intensity amongst the lowe
on the NCS
The Valhall area has been powered from sh
2012, originally eliminating annual turbine e
of approximately 320,000 tonnes of CO_2 an
tonnes of NOx. The field centre also supplie
the remotely operated flank platforms and H
close to zero CO_2 emissions during normal
and can also accommodate long-term rig h
electricity. The CO_2 emissions intensity from
and Hod fields in 2020 was 1.5 kilograms C
barrel of oil equivalent (boe).

Performance in 2021
Gross production from Valhall and Hod aver
51,600 barrels of oil equivalent per day (boe
2021, down from an average of 56,400 boe
The decrease was mainly attributable to red
production efficiency during first part of the
to several shutdowns and operational challe
with wells. All wells were repaired and put o
The facility uptime was more than 98 per ce
autumn, while production efficiency for the
was 82 per cent, compared with 85 per cen

Modernisation of the area
In 2021, the quarter platform (QP) jacket wa
from the field centre and a campaign to plu
abandoned wells on Valhall was completed,
ahead of the original plan. In 2022 the old c
platform (DP) and processing platform (PCP
removed from the field centre, and a final in
decision on permanent plugging and aband
the old Hod wells is expected in second qua

Introduction

At the end of 2021, the joint venture decide
proceed with the chosen concept for a new
platform (NCP) and a combined developme
King Lear. The concept consists of a new pr
wellhead platform with a bridge connection
Valhall field centre, and an unmanned platfo
King Lear around 50 kilometres from the ce
infrastructure will be laid on the seabed to c
two fields. The plan is to link the new installa
existing power-from-shore solution. Further
will now follow through the front-end engin
design (Feed) phase up to a final investment
with the PDO due to be submitted in the fo
of 2022.

The NCP will allow long-term production fr
and Hod and support the joint venture's am
produce a second billion barrels from these

PL006 B, 033 B, 033

Valhall & Hod	
Location	
Block(s)	
Pandion Energy interest	
Operator	Aker B
Other partners	
Production start:	V
Area	

Introduction

Licence overview

PL 263 D/E/F/G*

Location	Norwegian Sea
Block(s)	6407/1, 6407/2, 6507/10
Pandion Energy interest	20%
Operator	Equinor Energy AS (51%)
Other partners	ONE-Dyas Norge AS (29%)
Awarded	02.03.2018 (D), 01.11.2019 (E), 19.02.2021 (F)
Area	105.1 km²

*Extension awarded in 2022

PL 820 S/SB

Location	North Sea
Block(s)	25/7, 25/8
Pandion Energy interest	12.5%
Operator	MOL Norge AS (40%)
Other partners	Lundin Energy Norway AS (41%)
Wintershall Dea Norge AS	(6.5%)
Awarded	05.02.2016, 19.02.2021 (SB)
Area	58.1 km²

PL 891/B - Slagugle Dicovery

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

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%)
	Lundin Energy Norway AS (10%)
	DNO Norge AS (10%)
Awarded	02.03.2018
Area	285.7 km²

PL 938

Location	Norwegian Sea
Block(s)	6407/8
Pandion Energy interest	20%
Operator	OKEA ASA (30%)
Other partners	Neptune Energy Norge AS (30%)
	Vår Energy 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

PL 1047*

Location	
Block(s)	30/4, 30/5
Pandion Energy interest	
Operator	Aker B
Other partners	ConocoPhillips Skandina
	Conce
Awarded	
Area	

* Relinquished in 2022

PL 1062*

Location	No
Block(s)	
Pandion Energy interest	
Operator	Neptune Energy Nor
Other partners	Lime Petroleu
Awarded	
Area	

* Relinquished in 2022

PL 1108

Location	
Block(s)	
Pandion Energy interest	
Operator	DNO Nor
Other partners	OKE
Awarded	
Area	

Introduction

Licence overview

PL 1119

Location	Norwegian Sea
Block(s)	6406/2, 6406/3, 6406/5, 6406/6
Pandion Energy interest	20%
Operator	OKEA ASA (40%)
Other partners	Equinor Energy (20%)
Awarded	19.02.2021
Area	196.4 km²

PL 1139**

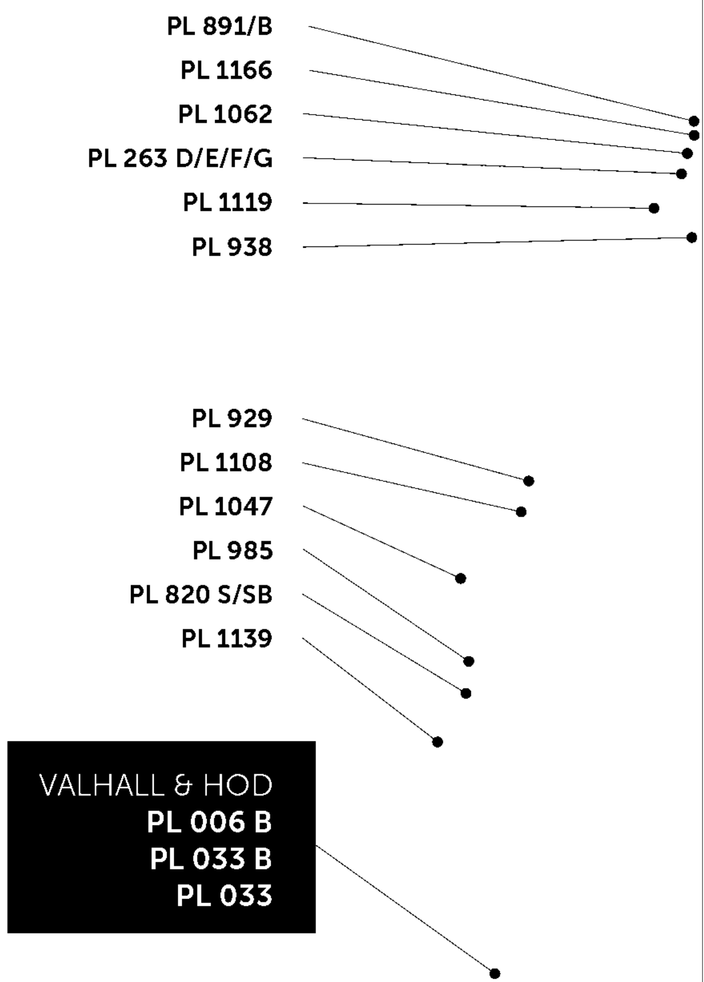
Location	North Sea
Block(s)	15/6
Pandion Energy interest	20%
Operator	Lundin Energy Norway AS (40%)
Other partners	Vår Energy AS (20%) Sval Energy AS (20%)
Awarded	11.03.2022
Area	70 km²

**Awarded in 2022

PL 1166**

Location	Norwegian Sea
Block(s)	6507/8, 6507/9
Pandion Energy interest	30%
Operator	ConocoPhillips Skandinavia AS (70%)
Other partners	-
Awarded	11.03.2022
Area	73 km²

**Awarded in 2022



Introduction

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 directo

Helge Nordtorp has more than 2[illegible] years of e
in the E&P industry from managing regulato
processes as a civil servant at the Ministry of
Petroleum and Energy, and from strategy ar
development projects as a management co
He also has experience with M&A and capita
transactions as a director at DNB Markets, a
Norwegian investment bank.

Introduction

The board of directors

Anish Patel
Non-executive director

Anish Patel is a partner and a senior member of the Investment and portfolio management team at Kerogen. He has over 15 years' experience in investments and corporate finance in the energy industry. He joined Kerogen in 2011 and has worked on several of the firm's largest investments to date. He formerly worked in J.P. Morgan Cazenove's Investment Banking group in London.

Jason Cheng
Non-executive director

Jason Cheng is the CEO and Managing Partner of Kerogen, he co-founded Kerogen and its predecessor Ancora Capital in 2007. He has around 30 years' commercial experience across investing, operations and investment banking. He was formerly Managing Director of Jade International Capital Partners Limited in Beijing, and had previously worked in energy investment banking at J.P. Morgan and Schroders.

Roberta Wong
Non-executive director

Roberta Wong is a director on the investme
portfolio management team at Kerogen. Be
Kerogen, she worked with members of the
team at J.P. Morgan's Energy and natural res
group in Hong Kong since 2008, specialisin
M&A and capital raisings including advising
in relation to their international acquisition s

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 E&P 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 dive
experience with managing finance function
accounting, budgeting, liquidity, tax and cor
processes, in both oil and gas and other ind
initially qualified as a senior auditor at Arthur

Introduction

The management team

Bente Flakstad Vold
VP Exploration & Appraisal
MSc Applied Geophysics

Bente Flakstad Vold has 25 years of managerial and technical experience from the oil and gas industry on the NCS. Her extensive background covers all aspects of subsurface portfolio management, including prospect generation and maturation as well as exploration and appraisal drilling. She has also played a leading role in implementing new digital solutions developed for and applied to the geological and geophysical workflows in Pandion Energy.

Kjetil Steen
VP Development & Production
MSc Mechanical Engineering

Kjetil Steen has more than 25 years of experience with development and production on the Norwegian continental shelf and internationally. His expertise lies in taking discoveries to final investment decision, with a concentration on technical feasibility, concept selection and engineering design through to execution.

Oksana Karpenko Hillervik
VP HSE & Operations
MSc Industrial Economics & Technical Man

Oksana Karpenko Hillervik has more than 15 experience holding various advisory and ma positions in health, safety, the environment for the oil and gas industry on the NCS. She experience with risk and HSE management, preparedness, compliance and regulatory p as well as with planning and execution of op activities on the NCS.

DIRECTORS´ REPORT & FINANCIAL STATEMENTS

Directors' Report

Pandion Energy entered its fifth year as an independent, full-cycle oil and gas company in 2021. Since its establishment in late 2016, the company has participated in the discovery and production of oil and gas resources on the Norwegian continental shelf (NCS).

What started out as a management buyout of a single development project from Tullow Oil Norge in June 2017, followed by the acquisition of a 10 per cent interest in the producing fields Valhall & Hod in December 2017, has today become a company with daily production of over 5 000 barrels of oil equivalents, a total of 14 licences and a team of 25 highly experienced oil and gas professionals headquartered in Oslo, Norway.

During 2021, the board's priorities revolved around ensuring further development of the Valhall & Hod fields, which included the execution of Hod development, with first oil expected in the second quarter of 2022, and Valhall new central platform (NCP) joint development concept with King Lear (production licences PL 146 and PL 333). On the exploration and appraisal front, following the oil and gas discoveries in PL 820S Iving and PL 891 Slagugle in 2020, the appraisal of the Iving discovery was concluded non-commercial. The Slagugle discovery will be appraised in 2022, with the aim of developing the discovery. Lastly, in January 2021, Pandion Energy became one of the first E&P companies on the NCS to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2 and launched its strategy to net zero carbon.

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.

HIGHLIGHTS OF 2021

The company's revenues from the sale of oil and gas increased by 80 per cent to USD 137.9 million from 2020 to 2021, driven by the increase in realised oil and gas prices.

Pandion Energy became one of the first E&P companies on the NCS to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2, and announced its strategy to net zero carbon. The commitment to carbon neutrality has been achieved through low carbon intensity production and by carbon offset programs aligned with the UN sustainable development goals (SDGs).

The Hod B platform, a new normally unmanned installation (NUI), was safely installed on the Hod field in August, just 14 months after the first steel was cut at Kværner's yard in Verdal. Hod B will be operated remotely from Valhall, and the field will have close to zero CO_2 emissions owing to the use of power from shore.

The Valhall licence made progress with a joint development concept together with King Lear involving a new central platform, which will help to extend the producing life of and increase value creatio[...] the Valhall area. The final [...] decision and submission [...] for development and ope[...] (PDO) is planned for late [...] time to be covered by the [...] tax scheme. First oil is sch[...] for 2027.

Pandion Energy was awar[...] three new licenses under [...] Norwegian awards in pre[...] areas (APA) licensing roun[...] Strategically important ac[...] adjacent to existing disco[...] was secured, further stren[...] access to additional upsid[...] in these areas.

The company continued [...] on digitalisation of operat[...] launched Wellify in July, a [...] tool for analysing geoche[...] mineralogical data from d[...] Wellify is a product from [...] Insights, a collaboration p[...] initiated by Pandion Energ[...] with DNO Norge and Spir[...] Norway as partners and It[...] technical provider.

Lastly, the company conti[...] to monitor the Covid-19 p[...] closely during 2021 with t[...] protecting staff and opera[...]

Directors' Report & Financial Statements

On 31 December 2021, 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 10 exploration licences.

In January 2022, Pandion Energy was awarded three licences under the 2021 APA licensing round on the NCS. Two were new licences and the third provided additional acreage for an existing licence in the portfolio. Following these awards (PL 1139, PL 1166 and PL 263G), the company held interests in a total of 14 licenses.

The portfolio includes 32 million barrels of oil equivalent (mmboe) of net proven and probable (2P) reserves and 47 mmboe of net contingent resources (2C), including reported estimates for the PL 891 Slagugle discovery.

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 driving value in high-quality assets.

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.

Since its inception, Pandion Energy has been committed to maintaining a low carbon footprint – as demonstrated by carbon intensity levels per barrel which are amongst the lowest in the Norwegian and global E&P industry, at 1.5 kilograms of CO_2 per barrel of oil equivalent in 2021. In 2021, Pandion Energy launched its strategy to achieve net zero carbon emissions. This includes pursuing exploration and appraisal opportunities only in areas with existing or plausible future access to renewable energy sources, incorporating greenhouse gas (GHG) emissions and the potential for future carbon reduction as a key investment criterion for developments and producing assets, and incorporating the future cost of carbon emissions when evaluating new investments.

OPERATIONAL REVIEW
Production and field development
The Valhall area consists of the Valhall and Hod fields in the southern part o
Norwegian sector in the North Sea, and has produced over one billion barr
production started in 1982. Infrastructure on Valhall comprises a field centr
five bridge-connected platforms. In addition come three unmanned flank p
(North, South and West). The produced oil is exported via pipeline to Ekofis
to Teesside in the UK, while the gas is exported via Norpipe to Emden in G
The original Hod development produced from 1990 to 2012 via a remotely
wellhead platform tied back to Valhall. All wells on the Hod platform are sh
the Hod plug and abandonment (P&A) project, which covers the permaner
eight wells, has passed decision gate 2 (DG2). A final investment decision is
in the second quarter of 2022. In recent years, Hod has been produced by
drilled from the Valhall Flank South platform. The Valhall area has received
shore since 2012 via Lista in the south of Norway, which keeps emissions t
very low during normal operations. Pandion Energy holds a 10 per cent int
Valhall area, where Aker BP is operator.

A PDO for Hod was approved by the Ministry of Petroleum and Energy in la
This was one of the first development projects to be realised under the tem
changes made to the Norwegian Petroleum Tax Act in June 2020 following
Covid-19 outbreak. The field has been redeveloped with a NUI, Hod B, deliv
through operator Aker BP's alliance for the provision of fixed platforms. This
was estimated to create around 5 000 full-time equivalents during the exec
phase, and 75 per cent of the contract value for construction of the platforn
subsea installations has gone to Norwegian suppliers.

Both jacket and topsides were built at the Aker Solutions yard in Verdal, and
successfully installed on the field during the summer of 2021. The wellhea
was delivered on schedule, with no harm to people or the environment. H
be remotely operated from Valhall, and CO_2 emissions will be close to zero
to the use of power from shore via the Valhall field centre. Production drilli
commenced during the last quarter of 2021. Production is scheduled to be
first half of 2022.

In December, the joint venture decided to proceed with the chosen concept for a new central platform (NCP) and a combined development with King Lear. The concept consists of a new process and wellhead platform with a bridge connection to the Valhall field centre, and an unmanned platform on King Lear around 50 kilometres from the centre. New infrastructure will be laid on the seabed to connect the two fields. The plan is to link the new installations to the existing power-from-shore solution. Further maturing will now follow through the front-end engineering design (Feed) phase up to a final investment decision, with the PDO due to be submitted in the fourth quarter of 2022. First production from the development is planned in 2027.

The NCP will allow long-term production from Valhall and Hod and support the joint venture's ambition to produce a second billion barrels from these fields.

Appraisal
Appraisal drilling on the Iving oil and gas discovery in PLs 820 S and SB (Pandion interest: 12.5 per cent) was completed in July by operator MOL Norge AS. The results lead to a downward adjustment of the resource estimate. After evaluating the feasibility of a development, the project was assessed as non-commercial. Capitalised costs in the licence have been expensed with 29.9 USD million.

The partners in PL 891 prepared to appraise the Slagugle discovery, made in 2020, and secured the semi-submersible mobile drilling rig Transocean Norge. Operator ConocoPhillips spudded appraisal well 6507/5-11 in March 2022, and is also targeting additional prospectivity.

Exploration
In January 2021, Pandion Energy was awarded the following five licences under the 2020 Norwegian APA licensing round on the NCS:
- 30 per cent participatory interest in licence PL 1108, located on the Måløy slope west of the Gjøa field and north-east of the Nova field. Pandion Energy has considerable experience in this area, including the Duva field development project.

- 20 per cent in licence PL 1119, located in the central part of the Halten Terrace, adjacent to the Tyrihans Sør, Trestakk and Lavrans fields as well as multiple discoveries.

- 20 per cent in licence PL 263 F, additional acreage for PL 263 D/E locate Norwegian Sea. The PL263 D/E licence announced a gas discovery in ex well 6407/1-8 S in November 2020.

- 12.5 per cent in licence PL 820 SB, additional acreage to PL 820 S where discovery has been made.

- 20 per cent in licence PL 891 B, additional acreage to PL 891, located in Norwegian Sea north of Heidrun, which contains the Slagugle discovery in December 2020.

An exploration well was drilled in early 2021 on the Eidsvoll prospect in PL was reported dry, and the licence was relinquished in December. The acre part of a transaction with Wintershall Dea Norge AS, completed in February acquiring a 2.5 per cent interest in PL 820 S and a 15 per cent holding in PL

During 2021, the PL 929 and PL 938 joint ventures, both operated by Nept secured the semi-submersible mobile drilling rig Deepsea Yantai to drill exp wells in 2022. Pandion Energy holds a 20 per cent interest in both licences

Relinquishment decisions have been taken for PL 1047 and PL 1062 and w implemented during the first quarter of 2022.

FINANCIAL REVIEW
The going concern assumption
Pursuant to section 3-3a of the Norwegian Accounting Act, the board has a robust assessment of the company's cash flows and its financial and liqu positions, including several downside scenarios, and confirms that the con continued operation as a going concern are present and that the annual ac have been prepared on that basis. The board confirms that the annual acc represent a true and fair view of the company's financial position and that i aware of any factors which would materially affect the assessment of the c 31 December 2021.

The financial statements of the company are prepared in accordance with simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act a

Directors' Report & Financial Statements

regulations on 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 2021 amounted to USD 135.9 million (2020: USD 116.6 million) and comprised net sales of oil and gas and gain/loss from hedging positions.

The increase in revenue mainly reflected higher commodity prices combined with larger crude oil volumes sold during the fiscal year. Net sales of oil and gas for the year amounted to USD 137.9 million (2020: USD 76.7 million).

Before hedging, the average price achieved by Pandion Energy in 2021 for its net sales of oil and gas was USD 68.6 (2020: USD 39.4) per boe. This was consistent with Brent benchmark movements.

Average net production for Pandion Energy was 5 152 boe per day (boepd), compared with an average of 5 639 boepd in 2020. The reduction in produced volumes was a result of planned downtime related to chalk influx in several wells necessitating well intervention activities. Average net sales for Pandion Energy amounted to 5 516 boepd (2020: 5 313 boepd). Sales quantities during a period can differ from production quantities, mainly because of differences in the timing of cargo liftings compared with production (inventory movements).

A loss of USD 2 million (2020: gain of USD 4.6 million) on other income for the year related to losses from hedging positions owing to the rise in crude oil prices during 2021.

Expenses

Operating expenses including inventory movements amounted to USD 35.1 million for 2021, significantly higher than the 2020 level of USD 27.4 million. This increase is mainly attributable to inventory movements. Valued at production costs including tariffs and depreciation costs, the change in inventory amounted to an expense of USD 3.2 million (2020: benefit of USD 2.9 million) over the year owing to timing differences between cargo liftings and production.

* For definitions of Alternative Performance Measures (APM), please refer to page 59.

The per-barrel cost of operations for the year amounted to USD 12 per boe per boe in 2020), with the increase mainly attributable to lower production Valhall and Hod.

Exploration expenses in the income statement for 2021 amounted to USD (2020: USD 20.9 million). Exploration and appraisal costs are capitalised as When exploration and appraisal drilling is unsuccessful or licences are relin owing to lack of prospectivity, the capitalised costs are expensed. In additio previously capitalised exploration costs, exploration expenses in the incom comprise costs related to new-venture activities (licensing rounds, farm-in and digitalisation) and are detailed in Note 7. The increase in exploration ex for 2021 is mainly attributable to the write-down of previously capitalised e expenditures related to the downward adjustment of the resource estimate PL 820 S Iving discovery.

The company recorded net financial expenses of USD 16.9 million for 2021 with USD 16.2 million for 2020. Details are provided in Note 11. Net financia mainly comprised interest expenses of USD 10.4 million (2020: USD 11.1 m which related to the company's unsecured bond, the reserve-based lendin facility and the exploration finance facility (EFF), as well as accretion expen 6.1 million (2020: USD 6.2 million) related to asset retirement obligations.

Results

The company generated a profit on operating activities of USD [illegible].5 million EBITDAX* of USD 100.8 million in 2021, up from a loss of USD 2[illegible].7 million EBITDAX* of USD 89.6 million (which included USD 35.3 million gain from assets) respectively the year before. The increase from 2020 mainly reflect oil prices and sales volumes during the year. An impairment of technical go amounting to USD 61.6 million was also recognised in 2020.

Pandion Energy recorded a profit before income tax of USD 6.6 million for compared with a loss before income tax of USD 38.8 million the year befo tax expense amounted to USD 1.3 million for the year, compared to an inc benefit of USD 29.4 million in 2020. This resulted in a net profit of USD 5.3 2021 (2020: net loss of USD 9.4 million).

Statement of financial position
The company's total assets at 31 December 2021 amounted to USD 615.5 million (2020: USD 566.7 million).

Property, plant and equipment came to USD 428.5 million (2020: USD 345.3 million), an increase of USD 83.2 million driven by investments in Valhall and Hod – mainly drilling and well stimulation on the north and west flanks and the redevelopment of Hod.

Intangible assets and goodwill amounted at 31 December to USD 106.1 million (2020: USD 121.1 million). The reduction from 2020 mainly reflected the write-down of previously capitalised exploration expenditures related to PL 820 S Iving.

Pandion Energy has a robust and diversified capital structure made up of committed equity and a debt financing pack. A subscription agreement has been executed for an initial USD 190 million of equity to be injected in the company. To date, USD 109 million of this has been invested, with the remaining amount serving as an undrawn equity reserve for the company. In addition, about USD 5.2 million has been invested by the Pandion Energy team.

The debt financing package includes an RBL facility of USD 150 million, a senior unsecured bond loan of NOK 400 million and an EFF of NOK 400 million. Pandion Energy intends to refinance the bond in full before the autumn of 2022. The current borrowing base in the RBL facility is USD 150 million. The EFF was drawn until 31 December 2021, with repayment in the fourth quarter of 2022. More details of debt financing are provided in Note 17.

Total equity at 31 December 2021 was USD 133.2 million, up from USD 126.3 million a year earlier. The equity ratio at 31 December 2021 was 21.6 per cent. The company's share capital was reduced by USD 103.1 million to USD 11.1 million on 3 November 2021 through a reduction in the par value of its shares. The share capital reduction will be applied as an allocation to funds. At 31 December 2021, finalisation of the reduction was awaiting the expiry of the creditor notice period.

The company's interest-bearing debt was USD 135.8 million at 31 December 2021, down from USD 157.6 million a year earlier. See Note 17.

Temporary tax changes to stimulate investment in the petroleum sector w
sanctioned by the Storting (parliament) on 12 June 2020 and provided Pan
Energy with a significant liquidity boost and unique investment conditions.
arrangement with negative tax instalments means that the refund of the ta
losses incurred in 2020 and 2021 will be made in advance of the tax assess
running basis under the instalment tax regime. The company received net
USD 42.4 million related to tax instalments in 2021.

The Norwegian government has furthermore proposed revisions to the sp
petroleum tax (SPT) system in 2022. This will replace the rules on deprecia
uplift with immediate investment expensing (cash-flow tax), although the c
rate of corporation tax and SPT will remain unchanged at 78 per cent. The
are expected to be introduced early Spring 2022 (effective from January 1,
main intention of the proposed revision is to improve the neutrality of the t
in value terms. Where Pandion Energy is concerned, the expected new tax
increase near-term cash flow owing to accelerated capex depreciation and
refund of special petroleum tax losses. These changes have no implication
rules concerning the temporary changes described above.

Cash flow statement
Net cash flow from operating activities in 2021 was USD 151.8 million, up f
71.5 million in 2020. This increase was primarily driven by higher revenues.
difference between cash flow and profit from operating activities mainly re
the effect of depreciation, amortisation and net impairment losses, and tax
received.

Investing activities in 2021 involved a net cash outflow of USD 1[illegible]3 million
with USD 50.8 million the year before. The higher net cash outflow in 2021
reflects increased investment activities in 2021 (related to further developm
Valhall and Hod area, mainly the Valhall Flank West project, the Flank North
and the Hod redevelopment), and the cash inflow related to the Duva field
in 2020.

Net cash flow from financing activities during 2021 was negative at USD 19
(2020: USD 50.4 million). This figure comprises (i) the RBL facility repaymen
USD 16.5 million and (ii) the net EFF repayment of USD 3 million.

Directors' Report & Financial Statements

Cash and cash equivalents increased by USD 5.0 million during 2021 to USD 21.8 million at 31 December.

Subsequent events
In January 2022, Pandion Energy AS was awarded three licences under the 2021 APA licensing round on the NCS. The areas awarded include two new licences, PL 1139 (20 per cent participatory interest) and PL 1166 (30 per cent participatory interest), with the latter due to be matured alongside PL 891 where the partnership is currently drilling its first appraisal well on the Slagugle discovery made in 2020. One licence was also awarded to provide additional acreage for PLs 263 D/E/F, which is already in the portfolio.

In March 2022, the company announced signing an agreement with ONE-Dyas Holdings B.V. to acquire ONE-Dyas Norge AS. The transaction includes a 10 per cent share of the Nova field, operated by Wintershall Dea, and a total of 10 exploration licences, including increased interest in PLs 263 D/E/F which is already in the portfolio.

The Nova field is expected to start production in the second half of 2022. The field, located in the northern part of the North Sea, is being developed with two subsea templates tied back to the existing Gjøa platform. Nova (previously Skarfjell) was discovered in 2012, and the PDO was approved in 2018. The use of existing infrastructure enables effective extraction of the resources and Nova will be sustainably operated with hydro power from shore through Gjøa.

The transaction is subject to customary conditions for completion, including but not limited to approval by the Norwegian Ministry of Petroleum and Energy.

Following the Russian invasion of Ukraine at the end of February, the board notes the implications for commodity prices and potential interruptions of supply chains and third-party services. Several countries have condemned the invasion and severe sanctions have been imposed. While the human suffering is clearly the main concern, the board must acknowledge that economic uncertainty, despite no direct exposure to the regions or sanctions, may have an impact on the company's business and its markets going forward. The extent to which the invasion impacts the company's results will depend on future developments, which are highly uncertain and difficult to predict, including new information which may emerge on an ongoing b
Pandion Energy is committed to complying with relevant sanctions and tra
legislation and is monitoring the development in order to mitigate the pote
impact on the company's operations.

ALLOCATION OF NET PROFIT/LOSS
Pandion Energy AS recorded a net profit of USD 6.9 million for fiscal 2021.
proposes to allocate the net profit to other equity.

RISKS AND RISK MANAGEMENT
Pandion Energy is subject to various controllable and uncontrollable risks a
with the nature of oil and gas business operations. Companies operating ir
industry, including Pandion Energy, are exposed to a variety of operational,
and external risks which it may not be entirely possible to eliminate even w
risk management routines and experience.

The board of Pandion Energy works with the company to develop risk ma
strategies and processes which enable management to prevent potential e
and to handle them efficiently. The board is also responsible for overseeing
the implementation of such strategies by making sure that the framework t
identification, control and monitoring in all risk areas accords with industry
and that adequate systems and procedures are in place to address these ri
Pandion Energy's approach to risk management includes assessing and ma
with the focus on achieving the highest risk-adjusted returns for the shareh

Directors' and officers' liability insurance has been secured by the compan
possible personal liability of a director or the CEO in accordance with appl

Covid-19 measures and consequences
Pandion Energy has closely monitored the Covid-19 position with the obje
making sure that the necessary measures are taken to protect staff and op

The company is not an operator and is not directly involved in the executio
offshore operations on a day-to day basis. However, as the sole partner of
operator for Valhall and Hod, it pursues an active dialogue with the latter to
that all necessary steps are taken to protect offshore personnel against the

Directors' Report & Financial Statements

and that the virus has minimal impact on operations. Extensive measures have been implemented by the operator to ensure safe and reliable operations.

In addition to operations on Valhall and Hod, the company has been involved in exploration and appraisal activities. No virus-related disruptions to drilling operations were reported during the year.

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 reserves and to develop them.

The risk of major operational incidents is always present, since drilling, production and decommissioning activities will never be completely risk-free. In addition, come risks associated with the integrity of the company's assets, the reported reserves and resources, and 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 licensee on the NCS. The company intends to act as a sound, responsible and technically competent partner across the whole spectrum of activities in all its operations. Pandion Energy works actively with operators and has established processes and mitigating measures to reduce the probability of operational incidents. The company's risk management also includes contingency plans to minimise the potential impact should an operational incident occur.

Financial risks
The company is exposed to market fluctuations in commodity prices, foreign exchange rates and interest rates. These fluctuations could affect the company directly or indirectly, since they may influence the appetite of banks and investors to lend to or invest in the company. The company considers its credit risk to be low since its licence partners are creditworthy oil companies and cash and cash equivalents are receivables from banks.

Pandion Energy is heavily focused on active risk management through hed
a concentration on liquidity and insurance. The company has insured its pr
liability on the NCS in line with the best industry practices and has offshore
programmes covering the following risks (non-exhaustive):

- loss of production income
- physical damage to assets
- well control
- third-party liability.

Commodity price risk
Pandion Energy operates in the crude oil and natural gas market. Fluctuatio
hydrocarbon prices may therefore affect its revenue. Commodity price risk
the company's most important market risk for the future. To manage this, P
Energy secures cash flows from the sale of crude oil through commodity p
hedging. However, a downturn in oil prices could still dampen sentiment a
market players on investing in exploration and new developments. That in
adversely affect the company's growth ambitions.

To reduce risk related to oil price fluctuations, Pandion Energy has establish
price hedging programme which runs from 1 December 2021 until the end
At 31 December 2021, the hedging programme was solely based on put op

On 31 December 2021, 54 per cent of after-tax (15 per cent of pre-tax) cru
production volumes had been hedged for January–December 2022 at an
floor price of USD 47.6 per boe (USD 44.6 per boe net of costs). Additional
may be added to the programme in the future. However, the structure, am
and levels of any further hedging will depend on how the market for comm
derivatives develops.

Currency risk
Currency risks arise from multi-currency cash flows in Pandion Energy. The
is exposed to foreign exchange risk on its purchases and sales, including fi
costs denominated in currencies other than the USD. Although the compa
to raise funding in USD, the senior unsecured bond raised in 20[illegible] was in N
to market considerations. To mitigate the currency risk arising from debt is

the company has entered 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 the 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 the NOK is the main currency. To reduce the risk related to the 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. Borrowings with floating interest rates expose the company to interest-rate risk. The company has entered into interest-rate swaps to mitigate the risk arising from the variable interest rate payable on the unsecured bond.

Liquidity risk
Pandion Energy's future capital requirements depend on many factors, and the company may need additional funds to fulfil its commitments and further develop exploration and development programmes to support its strategic direction.

Liquidity risk is the risk that the company will be unable to meet its financial liabilities when they become due. 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.

External risks
The business landscape in which the company operates can change rapidly. The risk of fluctuations in commodity prices is addressed under financial risks, but the company also faces other external risks which could affect its financial position over time. There can be no assurance, for instance, that legislation, including tax regulations, will not change in a manner which could adversely affect the company.

Climate change risk
A potential exposure also exists from the response to climate change. The is likely to become exposed to risks related to the anticipated transition to carbon economy. This is likely to affect both market fluctuations and beha well as associated financial risks, and external risks related to regulatory an changes, for instance – whether directly through costs and taxes or indirec technology developments. In addition, negative public opinion about oil ar companies may have reputational effects.

In the long term, the company's assets may become exposed to physical c These include an increase in the frequency or strength of extreme weathe resulting in more frequent operational disturbances/disruptions or posing a threat to the technical integrity of offshore installations. These risks are cur managed through applicable design and regulatory requirements.

In order to minimise the exposure to climate change risk, Pandion Energy committed to sustaining its low-carbon-impact position in the industry and carbon neutral. In January 2021, the company launched its strategy for net carbon. A key part of this strategy involves aligning the company's investm to ensure that new growth opportunities are evaluated with regard to CO_2 and climate change risk in order to sustain a resilient asset portfolio.

HEALTH, SAFETY AND THE ENVIRONMENT
Health, safety, and the environment (HSE) are of paramount importance to Energy. The company operates in the oil and gas industry, where operation have a profound impact on the environment and on communities, and wh workforce is exposed to safety risks. Taking account of HSE considerations strategically important and a prerequisite for the company.

The board of Pandion Energy has adopted an HSE policy for all the compa employees and contractors. Its objective is to ensure that all activities are c in a responsible manner, without harm to the people involved and in accor the principles of sustainable development which aim to minimise the impa environment.

A comprehensive HSE management system has been established by the company. This calls for competent employees and contractors to deliver compliant operations through rigorous planning and execution. It also provides a system for effective risk management. Technical, economic and HSE considerations are an integrated part of Pandion Energy's decision-making and operational processes to achieve the 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 probability of this occurring and reducing the potential consequences. Effective management of HSE risk is about embedding HSE practices in the company's culture and operating procedures.

During 2021, the board established an environmental, social and governance (ESG) committee which is responsible for ensuring that ESG risks and opportunities (including impacts on the community, climate change and environment) are proactively identified and addressed at appropriate levels in the company's risk management activities. The ESG committee is also responsible for ensuring that the company's policies and practices are in alignment with its values, purposes and culture, and for integrating climate change and other sustainability factors in the company's strategy and business plan.

Pandion Energy has no operated assets in its portfolio, and the company works closely with the operators of its assets to identify, control and monitor risks. It provides a proactive and constructive challenge to the HSE policies, procedures and activities of the operators.

Pandion Energy places great emphasis on ensuring that operations in which the company participates are safe for the people involved, and aims to minimise their impact on the environment. This is enforced through the company's established processes and procedures, which drive regular interaction with the operators and continuous identification of follow-up issues in a variety of categories – HSEQ and regulatory compliance, major accident risk, joint ventures, subsurface, production, operations, drilling and wells, technology, facilities, project execution, organisation, commercial activities and incidents. Detailed action plans are established for each identified follow-up item to seek additional information or clarification from the operator(s), perform third-party verification work, or pursue Pandion Energy's internal work on technical or operational recommendations to the operator(s).

No major accidents or any environmental claims occurred during the repo
period involving any of the operating assets in which Pandion Energy partic
Furthermore, the company experienced no injuries or incidents during the
period.

In 2020, Pandion Energy was one of the first E&P companies on the NCS t
carbon neutrality for scopes 1 and 2 emissions, as defined in the GHG prot
company launched its strategy to net zero carbon in 2021.

The Valhall and Hod fields receive hydropower from shore, producing som
the lowest CO_2 intensities in the E&P industry. In 2021, the CO_2 intensity o
and Hod was 1.5 kilograms of CO_2 per boe produced. All the company's cu
exploration and appraisal licences fulfil the criteria set in the strategy to net
carbon, being located in areas with existing or plausible future access to re
energy sources. The company's equity-based GHG emissions in scopes 1 a
activities in 2021 are reported in the sustainability section of the combined
report.

CORPORATE GOVERNANCE AND SUSTAINABILITY

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

The company is currently owned by funds managed by Kerogen Capital ar
management team. The company has a bond listed on the Nordic alternat
market (Nordic ABM), a list of registered bonds which the Oslo Stock Excha
Børs) determines the rules for in consultation with market participants. The
encourages transparency and aims for fair and equal treatment of all existir
future shareholders. It will seek to provide all existing and future investors v
necessary details to assess the fair value of the company and the risks it fac

This year, the company includes sustainability result in its annual report.

RESEARCH AND DEVELOPMENT
The company invested USD 3.0 million (2020: USD 4.6 million) in research and development in 2021.

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 visualisation, data science and machine learning can provide increased understanding of subsurface data and make analysis of geological and geophysical information more efficient.

PAYMENTS TO GOVERNMENTS
According to section 3-3d of the Norwegian Accounting Act and section 5-5a of the Norwegian Securities Trading Act, companies engaged in activities in the extractive industries are required annually to disclose payments to governments by country and by project. The Ministry of Finance has issued a regulation (F20.12.2013 no 1682) stipulating that the reporting obligation only applies to reporting entities above a certain size and to payments above a certain threshold amount. Pandion Energy interprets the Act and the regulation in such a way that only payments made directly from the company to governments are to be reported.

Pandion Energy is a non-operator licensee, and all payments by non-operators in licences will be cash calls transferred to the operator. As such, no payments will be made to governments by Pandion Energy.

The company made no payments to governments other than application fees for the APA licensing round, and no payments were above the threshold of NOK 800 000.

ORGANISATION
At 31 December 2021, the company had 25 employees compared with 26
earlier. The working environment in Pandion Energy is considered good. Si
absence in 2021 was 1.38 per cent compared with 2.44 per cent the year b
Since Pandion Energy has relatively few employees, sickness absence by ju
two people could significantly affect the percentage.

Pandion Energy seeks to keep sickness absence at low levels by constantly
working conditions. The company aims to maintain a working environmen
opportunities for all, based on performance and irrespective of gender, age
ethnicity, sexual orientation, disability or any other protected status.

On 31 December 2021, 36 per cent of the employees were female, compa
per cent a year earlier. Women made up 50 per cent of the management t
one of six directors is female.

The board of Pandion Energy has established, in close cooperation with th
management team, a code of conduct which sets out requirements for ev
who works for and on behalf of Pandion Energy. The code applies to the b
senior management and all employees and consultants. Pandion Energy al
expects all business partners and suppliers to act in a manner which is con
with the principles of the code. The code is available on the company's we
pandionenergy.no.

OUTLOOK
Following the announcement of the ONE-Dyas Norge acquisition in March
much attention will be dedicated to integrating the operational and organi
assets of the combined entities on completion. Pandion Energy has a robu
structure and a strong balance sheet, which allows for further merger and
(M&A) activities in the future. The company is entering 2022 with USD 190
committed from Kerogen Capital, of which USD 109 million had been injec
31 December 2021. The company is also in the process of refinancing its b
the second quarter.

Directors' Report & Financial Statements

Operationally, delivering on production targets and driving value creation in the Valhall and Hod fields continues to be a strong priority for Pandion Energy and the board. Important milestones will include the production start from Hod B and further maturing of the plans for the NCP joint development with King Lear towards a PDO. The company will proceed with the appraisal of the Slagugle discovery and is scheduled to participate in two exploration wells during 2022. First production from Nova is anticipated at the end of 2022.

Pandion Energy will continue to invest in proven high-quality assets with access to existing infrastructure while aiming to maintain a low carbon footprint.

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 on the NCS, participating in every phase from exploration through to the d of oil and gas resources. As part of this objective, it actively searches for an opportunities to make value-accretive investments, such as acquisitions, fa licence awards, swaps or the like, and to divest assets to realise value creat existing portfolio.

The ongoing invasion of Ukraine has dramatic consequences which canno to the full extent at the time of writing this report. Beyond the devastating h suffering, consequences to the world economy and markets are likely to b Pandion Energy is committed to complying with relevant sanctions and tra legislation and will be monitoring the development in order to mitigate the impact on the company's operations.

Oslo, Norway, 7 April 2022

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 Ellefsen
CEO/Board Member

Roberta Wong
Board Member

Anish Patel
Board Member

Helge Larssen Nordtorp
Board Member

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December 2021 have been prepared in accordance with the simplified IFRS pursuant to section 3-9 of the Norwegian Accounting Act and generally accepted accounting practice in Norway, and give a true and fair view of the assets, liabilities, and financial position and results of Pandion Energy AS.

The notes are an integral part of the financial statements.

We also confirm, to the best of our knowledge, that the directors' report provides a fair overview of the development, performance and financial position of Pandion E together with a description of its principal risks and uncertainties.

Oslo, Norway, 7 April 2022
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

Anish Patel
Board Member

Helge Larssen Nordtorp
Board Member

Statement of income

Statement of income

(USD`000)	**Note**	**2021**	**2020**
Revenues		137,939	76,675
Gains from sale of assets		-	35,341
Other income		(2,016)	4,554
Total revenues and income	6	**135,922**	**116,570**
Operating expenses	7	(35,137)	(27,436)
Depreciation, amortisation and net impairment losses	13, 14	(32,521)	(90,941)
Exploration expenses	7	(44,731)	(20,878)
Total expenses		(112,390)	(139,255)
Profit (loss) from operating activities		**23,533**	**(22,685)**
Net financial items	11	(16,917)	(16,159)
Profit (loss) before income tax		**6,616**	**(38,844)**
Income tax	12	(1,321)	29,411
Net income (loss)		**5,295**	**(9,433)**

Statement of comprehensive income

(USD`000)	**Note**	**2021**
Net income (loss)		5,295
Items that may be subsequently reclassified to the Statement of income		
Net gain (loss) arising from hedges recognised in OCI	23	(1,332)
Net amount reclassified to profit and loss	23	3,393
Tax on items recognised over OCI	12, 23	(453)
Other comprehensive income		1,607
Total comprehensive income		**6,902**

Statement of financial position

Assets

(USD`000)	Note	2021	2020
Goodwill	14	63,138	63,138
Intangible assets	14	42,933	57,984
Property, plant and equipment	13	428,526	345,298
Prepayments and financial receivables		136	140
Right-of-use assets	24	506	731
Total non-current assets		**535,239**	**467,291**
Inventories		8,394	9,376
Trade and other receivables	18	21,325	13,805
Financial assets at fair value through profit or loss	21	222	2,451
Tax receivable - short term	12	28,501	56,891
Cash and cash equivalents	9	21,839	16,846
Total current assets		**80,279**	**99,369**
Total assets		**615,519**	**566,660**

Equity and liabilities

(USD`000)	Note	2021
Share capital		11,110
Other paid-in capital		103,120
Other equity		18,966
Total equity	19	**133,196**
Deferred tax liability	12	124,431
Asset retirement obligations	20	181,362
Borrowings	17	44,889
Hedging derivatives	23	-
Long term lease debt	24	264
Total non-current liabilities		**350,946**
Asset retirement obligations - short term	20	10,099
Trade, other payables and provisions	22	27,904
Borrowings - short term	17	84,602
Hedging derivatives	23	8,064
Financial liabilities at fair value through profit or loss	21	468
Short term lease debt	24	240
Total current liabilities		**131,377**
Total liabilities		**482,323**
Total equity and liabilities		**615,519**

Oslo, Norway, 7 April 2022

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	**Anish Patel** Non-executive director	**Helge Larssen Nordtoe** Board Member

Statement of cash flows

(USD`000)	Note	2021	2020
Income before tax		6,616	(38,844)
Depreciation, amortisation and net impairment losses	13, 14	32,585	91,018
Expensed capitalised exploration expenses	7	38,252	9,574
Accretion of asset removal liability	11, 20	6,098	6,176
(Gains) losses on sales of assets	6	-	(35,341)
Deferred tax liability on sale of assets	12	-	6,899
(Increase) decrease in value of financial assets		(265)	906
Net financial expenses	11	10,819	9,983
Interest and fees paid		(10,127)	(11,420)
(Increase) decrease in working capital		(8,341)	(17,612)
Net income tax received		76,181	50,158
Net cash flow from operating activities		**151,817**	**71,498**

(USD`000)	Note	2021
Payment for removal and decommissioning of oil fields	20	(20,121)
Capital expenditures and investments in furniture, fixtures and office machines	13	(45)
Capital expenditures and investments in oil and gas assets	13	(80,140)
Capital expenditures and investments in exploration and evaluation assets	14	(27,018)
Cash flow from divestments	6	-
Net cash flow from investing activities		**(127,325)**
Proceeds from interest bearing obligations, loans and borrowing		28,463
Payments of interest bearing obligations, loans and borrowing		(47,963)
Proceeds from Capital Distribution		-
Net cash flow from financing activities		**(19,500)**
Net change in cash and cash equivalents		4,993
Cash and cash equivalents at the beginning of the period		**16,846**
Cash and cash equivalents at the end of the period		**21,839**

Notes to the financial statements

NOTE 1 ORGANISATION

Pandion Energy AS («Pandion Energy» or «the company») was established in November 2016 on the basis of the operational platform and licenses acquired from 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 2021 were authorised for issue in accordance with a resolution of the Board of Directors («the Board») on 7 April 2022.

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 parti joint control and each of the parties have rights to the assets and obligations for th rating to their respective share of the arrangement) and similar arrangements (licen the scope of IFRS 11 are recognised on a line-by-line basis, reflecting the company assets, liabilities, income and expenses.

There have been no significant changes to the accounting policies adopted for fin 2021 compared to those followed in the financial statements for 2020.

Certain new accounting standards and interpretations have been published that ar mandatory for 31 December 2021 reporting periods and have not been early adop company. These standards are not expected to have a material impact on the enti 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 eva of the company's primary economic environment and related cash flows. The cas from ordinary sales and financing activities are mainly generated in USD. The curre 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 ra dates of the transactions. Foreign exchange differences arising on translation are r in the statement of income as net financial items. Non-monetary assets that are m at historical cost are translated using the exchange rate at the dates of the transact Equity transactions are translated at the exchange rate on the transaction date. All differences resulting from equity transactions are recognised in other comprehens

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

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

Upstream activities in the production phase will typically represent a business, whereas those at the exploration stage will typically represent an asset purchase. Projects that lie in the development stage are more difficult to judge and will require consideration of the stage of development and other relevant factors.

Business combinations are accounted for using the acquisition method for accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition.

Revenue recognition
Revenues from sale of petroleum products are recognised in the statement of income. Sales of oil and gas are recognised upon delivery of products and customer acceptance.

Lifting or offtake arrangements for oil and gas produced in the company's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production after permanent differences less stock is underlift or overlift. Underlift and overlift are valued at production cost including depreciation and presented as an adjustment to cost.

Income taxes
Income tax expense/credit consists of current income tax (taxes payable/receivable) and changes in deferred income tax and changes in income taxes related to prior periods.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the balance sheet date.

Current income tax relating to items recognised directly in equity or other comprehensive income, is recognised in equity or other comprehensive income and not in the statement of Income.

Oil-exploration companies operating on the Norwegian continental shelf under the offshore tax regime can claim a 78 per cent cash refund of their exploration costs, limited to taxable losses for the year. The refund is paid out in November in the following year. This t is classified as a current asset.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differenc the tax basis of assets and liabilities and their carrying amounts for financial reporti at the balance sheet date.

Deferred income tax assets are recognised for all deductible temporary difference forward of unused tax credits and unused tax losses, to the extent that it is probabl taxable profit will be available against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised.

Companies operating on the Norwegian continental shelf under the offshore tax r can claim the tax value of any unused tax losses or other tax credits related to its c activities to be paid in cash (including interest) from the tax authorities when opera Deferred tax assets that are based on offshore tax losses carried forward are theref recognised in full. The carrying amount of deferred income tax assets related to o activities are reviewed at each balance sheet date and reduced to the extent that i probable that sufficient taxable profit will be available to allow all or part of the def tax asset to be utilised. Unrecognised deferred income tax assets related to onsho are reassessed at each balance sheet date and are recognised to the extent that it probable that future taxable profit will allow the deferred tax asset to be recovered

Deferred income tax assets and liabilities are measured at the tax rates that are exp apply to the year when the asset is realised or the liability is settled, based on tax ra laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity or other compr income, is recognised in equity and not in the statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally right exists to set off current tax assets against income tax liabilities and the deferre taxes relate to the same taxable entity and the same taxation authority/tax regime. differences are considered.

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 31.12.2021 and contributes to increase in deferred tax liabilities.

The Norwegian Government has further proposed to revise the Special Petroleum Tax (SPT) system, replacing the rules on depreciation and uplift with immediate expensing of capex (cash flow tax), although the combined tax-rate for corporation tax and SPT will remain unchanged at 78%. The changes are expected to be introduced early Spring 2022 (effective from January 1, 2022). The main intention with the proposal is to improve the neutrality of the tax system in value terms. Where Pandion Energy is concerned, the expected new tax rules will increase near-term cash flow owing to accelerated capex depreciation and the annual refund of special petroleum tax losses. These changes have no implication for the rules concerning the temporary changes described above.

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 t
A liability related to Management long term incentive plan is calculated at end of re
period and is recognised over estimated vesting period. The fair value is dependen
assumptions related to among others exit value, discount rate and estimated proba
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
follow the pricing of the company's real shares. Phantom shares are accounted fo
settled share-based payment. The fair value of phantom shares at the exit date is c
based on fair value of mandatory shares at grant date, estimated probability of eac
to stay employed at the exit event and recognised over estimated vesting period. T
of the liability for phantom shares including social security tax and holiday pay is re
at each end of financial year and at the date of settlement based on valuation prep
Kerogen (the majority shareholder). Any changes in fair value are recognised in pro
the period. When an exit event occurs, the value of the phantom shares will be pai
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 explora
evaluation cost. Pre - licence costs are expensed in the period in which they are in
licence acquisition, exploration and evaluation costs and directly attributable admi
costs are initially capitalised in cost centres by well, field or exploration area, as app

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

Property, plant and equipment

Property, plant and equipment is reflected at cost, less accumulated depreciation a
accumulated impairment losses. The initial cost of an asset comprises its purchase
construction cost, any costs directly attributable to bringing the asset into operatio

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. Oil and gas producing properties are depreciated individually using the unit-of-production ("UOP") method as proved and probable developed reserves are produced. The rate of depreciation is equal to the ratio of oil and gas production for the period over the estimated remaining proved and probable reserves expected to be recovered at the beginning of the period. Any changes in the reserves estimate that affect unit-of-production calculations, are accounted for prospectively over the revised remaining reserves. Oil and gas producing assets are depreciated on a field level. Field in the course of development would not be amortised unit production from that field commence. The company includes undeveloped reserves (proved and probable reserves but not contingent resources) in the denominator, and consequently includes the future development expenditures necessary to bring those reserves into production in the basis for depreciation.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in other income or operating expenses, respectively, in the period the item is derecognised.

Leases

All leases are recognised in the balance sheet as a right-of-use ("ROU") asset with a corresponding lease liability, except for short term assets in which the lease term is 12 months or less, or low value assets. ROU assets represent a right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right-of-use assets are depreciated linearly over the lifetime of the related lease contract.

The depreciation of ROU asset is recognised over the lease term, and interest expe
to the lease liability are classified as financial items in the income statement.

Pandion Energy determines if an arrangement is a lease at inception. The compan
office facilities and IT equipment. Rental contracts are typically made for fixed peri
Lease terms are negotiated on an individual basis and contain a range of different
conditions.

Assets and liabilities arising from a lease are initially measured on a present value b
liabilities include the net present value of fixed payments, less any lease incentives.
company's incremental borrowing rate based on the information available at com
date is used in determining the present value of lease payments. Extension options
included when it, based on management's judgement, is reasonably certain to be

ROU assets are measured at cost and include the amount of the initial measureme
lease liability, any lease payments made at or before the commencement date less
incentives received, any initial direct costs, and restoration costs. Payments associa
short-term leases and leases of low-value assets are recognised on a straight-line b
expense in the income statement. Short-term leases are leases with a lease term o
or less and low-value assets comprise IT equipment and small items of office furni
Pandion Energy is a non-operator and recognises its proportionate share of a lease
Pandion Energy is considered to share the primary responsibility for a licence com
liability. This includes contracts were Pandion Energy has co-signed a lease contra
contracts for which the operator has been given a legally binding mandate to sign
lease on behalf of the licence partners.

The company has commitments pertaining to its ownership in partner operated oi
fields where the operator has entered into lease agreements for rigs in the licence
commitments are not recognised in the company's statement of financial position
to note 24 in the financial statements for further details.

Intangible assets and goodwill

Intangible assets are stated at cost less accumulated amortisation and accumulate
impairment losses. Intangible assets include expenditure on the exploration for and
of oil and natural gas resources and goodwill.

Intangible assets relating to expenditures on the exploration for and evaluation of oil and natural gas resources are not amortised. When the plan for development and operation (PDO) is approved by the Norwegian Authorities or licence partners if no government approval is required, its intangible exploration and evaluation assets are reclassified to property, plant and equipment.

Goodwill is initially measured at the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the fair value of the identifiable assets acquired and liabilities assumed in a business combination at the acquisition date.
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 c for the drilling of exploration and production wells and are valued at the lower of c (based on weighted average cost) and net realisable value.

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

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

Unproved oil and gas properties are assessed for impairment when facts and circu suggest that the carrying amount of the asset may exceed its recoverable amount, least once a year. Exploratory wells that have found reserves, but where classificati reserves as proved depends on whether major capital expenditure can be justified 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer be relevant or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and reversals of impairment losses are presented in the statement of income as exploration expenses or depreciation, amortisation and net impairment losses, on the basis of their nature as either exploration assets (intangible exploration assets) or development and producing assets (property, plant and equipment and other intangible assets), respectively.

Impairment of goodwill
Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGU, or group of units, to which the goodwill relates. Where the recoverable amount of the CGU, or group of units, is less than the carrying amount, an impairment loss is recognised. Once recognised, impairments of goodwill are not reversed in future periods.

Financial liabilities
Interest-bearing loans and borrowings are initially recognised at cost and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated considering any issue costs as well as discount or premium on settlement.

Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if these are held for the purpose of being traded.

Carrying amount of trade and other payables, liabilities to related parties and borro approximately equal to fair value since the effect of discounting is not significant.

Derivative financial Instruments
The company has entered into derivative contracts through the financial year. Mos contracts are over-the-counter (OTC) transactions. OTC transactions consist of (i) that are bilaterally negotiated and settled between Pandion Energy and the counte contract, and (ii) contracts that are bilaterally negotiated and then cleared through counterparty.

Put options are entered into for commodity price hedging. These derivative financ instruments are initially recognised at fair value on the date on which the contracts into and are subsequently re-measured at fair value through profit and loss. The im these commodity-based derivative financial instruments is recognised in the stater income as other income.

FX forward contracts are entered into for currency exposure hedging. In order to r the risk related to exposure to USDNOK fluctuations, the company has purchased contracts where underlying transaction is to sell USD and buy NOK. These derivati instruments are initially recognised at fair value on the date on which the contracts into and are subsequently re-measured at fair value through profit and loss with im recognised in the statements of income as financial items.

Cross-currency swaps (CCS) have been entered into for hedging foreign currency from the company`s bond issuance in NOK. Further the interest-rate risk arising fro aggregate exposure of the bond issuance and cross currency swaps is hedged usi rate swaps (IRS). Currently, Pandion Energy has chosen to apply hedge accounting CCS and IRS. The objective of using hedge accounting under IFRS 9 is to reflect th the company`s risk management activities in the financial statements. Please refer for further details.

Borrowing costs and capitalisation of interest
Interest costs and arrangement fees on borrowings to finance the construction of plant and equipment are capitalised during the period that is required to complete the asset for its intended use, which is defined as the development phase. Other b costs are expensed when incurred. The capitalisation of borrowing costs is made r

based on the yearly average interest of the company. The basis for the monthly capitalisation is the capitalised assets for each project.

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 a corresponding property, plant and equipment. When a decrease in the ARO provis to a producing asset exceeds the carrying amount of the asset, the excess is recog reduction of depreciation, amortisation and net impairment losses in the statemen When an asset has reached the end of its useful life, all subsequent changes to the provision are recognised as they occur in operating expenses in the statement of i

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

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

Proven and probable oil and gas reserves
Proven and probable oil and gas reserves have been estimated based on industry s The estimates are based on internal information and information received from the Proven and probable oil and gas reserves consist of the estimated quantities of cru natural gas and condensates shown by geological and technical data to be recove with reasonable certainty from known reservoirs under existing economic and ope conditions, i.e. on the date that the estimates are prepared. Current market prices in the estimates, except for existing contractual future price changes. Proven and p reserves and production volumes are used to calculate the depreciation of oil and by applying the unit-of production methodology. Reserve estimates are also used impairment testing of licence-related assets. Changes in petroleum prices and cos may change reserve estimates and accordingly economic cut-off, which may impa timing of assumed decommissioning and removal activities. Changes to reserve es also be caused by updated production and reservoir information. Future changes t and probable oil and gas reserves can have a material effect on depreciation, life o impairment of licence-related assets, and operating results.

Carrying value of intangible exploration and evaluation assets

Where a project is sufficiently advanced, the recoverability of intangible exploration assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written off and recognised in the statement of income as exploration expenses unless commercial reserves are established, or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Goodwill

The company test whether goodwill has suffered any impairment on annual basis. The recoverable amount of cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. Where the recoverable amount of CGU, or group of CGUS, is less than the carrying amount, an impairment loss is recognised.

Asset retirement obligations

The company has obligations to decommission and remove offshore installations at the end of the production period. The costs of these decommissioning and removal activities require revisions due to changes in current regulations and technology while considering relevant risks and uncertainties. Most of the removal activities are many years into the future, and the removal technology and costs are constantly changing. The estimates include assumptions of the time required and the day rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement.

Tax

The company may incur significant amounts of income tax payable or receivable and recognises significant changes to deferred tax or deferred tax assets. These figures are based on management's interpretation of applicable laws and regulations, and on relevant court decisions. The quality of these estimates is highly dependent on management's ability to properly apply a complex set of rules and identify changes to the existing legal framework.

NOTE 3 FINANCIAL RISK MANAGEMENT

General information relevant to financial risks

Pandion Energy`s activities expose the company to market risk (including commo
risk, currency risk and interest-rate risk) liquidity risk and credit risk. The company`s
to risk management includes assessing and managing risk with focus on achieving
risk adjusted returns for the shareholders.

Covid-19 measures and consequences

Pandion Energy is a non-operator and not directly involved in the execution of offs
operations on a day-to day basis. However, as partner in the Valhall & Hod fields th
has actively been in dialogue with the operator to ensure that all necessary steps w
protect offshore personnel against the pandemic and ensuring the virus had minin
on the operations. There were no disruptions to production due to the Covid-19 si
during 2021 and while certain project activities have been affected, the disruptions
successfully managed to avoid any negative impact on the production outlook. Th
established during fall 2021 a normalisation plan towards a state where extraordina
were no longer required.

Except for the operations at Valhall & Hod fields, the company was during 2021 inv
other offshore activities by the drilling of one exploration well (PL 617) and apprais
820S. No virus-related disruptions to the drilling were reported.

Commodity price risk

Pandion Energy operates in the crude oil and natural gas market. Fluctuations in hy
prices can therefore have an effect on the company's revenue. Commodity price r
represent the company's most important market risk going forward. To manage th
Energy secures cash flows from the sale of crude oil through commodity price he
However, a downturn in oil prices could still dampen sentiment among market p
invest in exploration and new developments. That in turn could adversely affect th
growth ambitions.

To reduce risk related to oil price fluctuations, Pandion Energy has established an c
hedging programme which ran at 31 December 2021 until the end of 2022. At yea
the hedging programme is solely based on put options.

At 31 December 2021, 54 per cent of after-tax (15 per cent of pre-tax) crude oil production volumes had been hedged for January–December 2022 at an average floor price of USD 47.6/bbl (USD 44.6/bbl net of costs). Additional positions may be added to the programme, but the structure, amount and levels of any further hedging will depend on how the market for commodity derivatives develops.

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 U
million with an additional uncommitted accordion of USD 150 million, a senior un
bond of NOK 400 million, and revolving exploration finance facility of NOK 400 m
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 in
carried at amortised cost, at fair value through other comprehensive income (FVT
fair value through profit or loss (FVTPL), favourable derivative financial instruments
with banks and financial institutions. There is also a minor credit risk exposure rela
receivables and overcall in licences. The company`s licence partners are credit wo
companies, and cash and cash equivalents are receivables from banks.

NOTE 4 ASSET ACQUISITIONS AND DISPOSALS

Acquisition of exploration licences

Acquired in 2021:

Licence	Int
PL 617	
PL 820 S	

In 2021, Pandion Energy has undertaken a transaction with Wintershall Dea Norge
acquire 15% working interest in PL 617 and 2.5% working interest in PL 820 S with e
1 January 2021.

Acquired in 2020:

Licence	Int
PL 938	

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

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Disposal and relinquishment of licences

Disposals in 2021:
The company has not accounted for any disposals in 2021.

Disposals in 2020:

Licence	Interest disposed
PL 1047	10%
PL 636/PL 636 B	10%

On 31 January 2020, Pandion Energy completed the divestment of a 10 per cent of working interest in the Duva field to PGNiG Upstream Norway AS with an effective date of 1 January 2020.

On 18 December 2020, Pandion Energy completed the divestment of their 10 per cent share of working interest in PL 1047 to ConocoPhillips Skandinavia AS with an effective date of 1 January 2020. The license was swapped in exchange for a 20 per cent interest in PL 938.

Relinquishment in 2021:

Licence	Interest disposed
PL 617	15%
PL 1047	10%
PL 1062	30%

In 2021, the relinquishment of PL 617, PL 1047 and PL 1062 were accounted for due to licence decisions of relinquishment. The actual relinquishment of PL 1047 and PL 1062 took place in 2022.

Relinquishment in 2020:
The company has not accounted for any relinquishments in 2020.

NOTE 5 INTERESTS IN LICENCES

Interests in production licenses on the Norwegian Continental Shelf as of:

Licence source	Licence portfolio	Jan-22	Dec-
Acquisitions	PL 006 Valhall field	10%	10
Acquisitions	PL 033 B Valhall field	10%	10
Acquisitions	PL 033 Hod field	10%	10
Acquisitions/ APA 2020	PL 891/ PL 891 B (Slagugle)	20%	20
Acquisitions/ APA 2020	PL 820 S/ PL 820 SB (Iving)	12.5 %	12.5
Acquisitions/ APA 2020/APA 2021	PL 263 D/E/F/G (Appolonia)	20%	20
Acquisitions	PL 938	20%	20
Acquisitions	PL 617	0%	0
APA 2017	PL 929	20%	20
APA 2018	PL 985	20%	20
APA 2019	PL 1047	10%	10
APA 2019	PL 1062	30%	30
APA 2020	PL 1108	30%	30%
APA 2020	PL 1119	20%	20
APA 2021	PL1139	20%	0
APA 2021	PL1166	30%	0

In January 2021, the company was awarded five licences in the APA 2020 round.

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

In January 2022, Pandion Energy AS was awarded three licences under the 2021 A Pre-defined Areas) licence round on the Norwegian Continental Shelf. That includ licences and one additional acreage in the licence already existing in the portfolio. to expanding the exploration portfolio with two new licences Pandion Energy has, award of the additional acreage on PL 263, secured strategically important acreag Appolonia discovery the company has taken part in during 2020.

The company holds a total of 14 licences after the APA 2021 awards.

NOTE 6 TOTAL REVENUES AND INCOME

Revenues	**2021**	**2020**
(USD '000)		
Oil	117,294	65,312
Gas	15,988	9,658
NGL	4,657	1,705
Total revenues	**137,939**	**76,675**

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

Other income	**2021**	**2020**
(USD '000)		
Realised gain/(loss) on oil derivaties	(2,202)	4,955
Unrealised gain/(loss) on oil derivates	185	(401)
Total other income	**(2,016)**	**4,554**

Gains from sale of assets	**2021**	**2020**
(USD '000)		
Payment received	-	59,377
Net assets divested	-	(30,935)
Deferred tax	-	6,899
Gains from sale of assets	**-**	**35,341**

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 7 EXPLORATION AND OPERATING EXPENSES

Exploration expenses	**202**
(USD '000)	
Expensed cost, seismic and studies	17
Expensed cost, general and administrative	6,30
Expensed exploration expenditures previously capitalised	38,25
Total	**44,73**

Operating expenses	**202**
(USD '000)	
Production cost	22,96
Change in inventories	3,19
Tariff and transportation cost	7,21
Other cost	1,77
Total	**35,13**

NOTE 8 REMUNERATION

	202
(USD '000)	
Salaries	5,79
Social security tax	1,00
Pension expenses	50
Other remuneration	9
Total payroll expenses	**7,39**

The Company had an average of 25.3 employees in 2021, same as in 2020. The nu employees as of year-end was 25 compared to 26 at the end of 2020.

Salaries include bonuses in addition to base salary and vacation pay. The employee certain objectives are met, each year be granted a bonus as a percentage of the to salary in the range of 0-50 per cent. It will be up to the Board to decide whether to bonuses on the previous years 'performance. For 2021, the bonus will be disbursed March 2022.

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In addition, Management Team and Key Employees take part in a long-term incentive plan offering rewards by an eventual exit event in the Company.

The company has a defined contribution plan for its employees. With a defined contribution plan the company pays contributions to an insurance company. After the contribution has been made, the company has no further commitment to pay. The contribution is recognised as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

Compensation to Chief Executive Officer (CEO) and the Board of Directors (BoD)

Compensation to CEO	**2021**	**2020**
(USD '000)		
Salaries	357	319
Bonuses	137	147
Pension expenses	21	19
Other remuneration	2	2

The CEO is part of a bonus scheme with annual benefits ranging from 0-50 per cent of base salary, pending certain performance related criteria equal to other employees. In addition, the CEO takes part in a long-term incentive plan offering rewards by an eventual exit event in the Company. The CEO has the right to severance pay of 6 months if certain conditions should occur.

The compensation to the Chairman of the Board was USD 50 000 in 2021 and USD 50 000 in 2020.

No loans have been granted by Pandion Energy and no guarantees have been issued to the CEO or any member of the Board.

Jan Christian Ellefsen (the CEO) and Helge L. Nordtorp (deputy CEO & VP BD) are both members of the Board of Directors and indirectly own 0.72 per cent and 0.54 per cent of the shares in Pandion Energy AS, respectively.

NOTE 9 RESTRICTED BANK DEPOSITS

	202
(USD '000)	
Withheld employee taxes	31

NOTE 10 AUDITOR'S REMUNERATION

	202
(USD '000)	
Audit fee	7
Other attestation services	
Other services	1
Total	**9**

NOTE 11 FINANCIAL ITEMS

	202
(USD '000)	
Net foreign exchange gains (losses)	1,00
Foreign exchange gains/losses on derivative financial instruments	3
Interest income	
Amortised loan costs	(1,05
Accretion expenses	(6,09
Interest expenses	(10,39
Other financial items	(42
Net financial items	**(16,91**

NOTE 12 INCOME TAXES

(USD '000)	**2021**	**2020**
Tax receivable from exploration refund	(20,179)	(35,164)
Tax receivable from current year tax losses and uplift	(28,660)	(55,522)
Change deferred tax balance sheet	50,648	52,186
Change deferred tax from acquisition recorded directly to balance sheet or OCI	(453)	9
Deferred taxes recognised as part of gain from sale	-	6,899
Adjustments related to prior periods	(35)	2,181
Income tax	**1,321**	**(29,411)**
Income tax in OCI	453	(9)
Total income tax	**1,774**	**(29,420)**

Reconciliation of statutory tax rate to effective tax rate:

(USD '000)	**2021**	**2020**
Profit before income tax	6,616	(37,313)
Calculated income taxes at:		
Statutory tax rate 22% (22%)	1,455	(8,209)
Petroleum surtax at statutory tax rate 56% (56%)	3,705	(20,895)

Tax effect of:	
Tax effect related to sale or acquisition of oil and gas assets	
Tax effect related to permant differences	(23
Effect of items allocated onshore	7,05
Change in deferred tax related to financial items	23
Effect related to interest on loss carried forward	(12
Uplift	(14,49
Adjustments prior period	18
Deferred tax assets not recognised	28
Deferred tax recognised as part of gain from sale of assets	
Impairment of technical goodwill	
Translation differences	3,26
Total	**1,32**
Effective tax rate	20.0

When computing the petroleum tax of 56 per cent on income from the Norwegia
Continental Shelf, a tax-free allowance, or uplift, is granted. For investments up to
uplift is 20.8 per cent deducted from taxable income in the special tax regime over
of four years. As a result of the temporary changes in the petroleum tax regime in
described further in Note 2, the uplift rate for investments in 2020 and 2021 is 24 p
fully deductible in year 1. The uplift is computed on the basis of the original capital
offshore production installations. Unused uplift may be carried forward indefinitely
uplift incurred in 2020 and 2021 will be refunded to the company if taxable incom
due to the temporary changes in the tax regime. At year-end 2021, unrecognised f
credits related to capitalised cost amounted to USD 2.6 million.

The difference in effective tax rate in 2021 compared to the total statutory tax rate
cent is primarily related to permanent differences arising from uplift recognised in
related to the temporary changes in the petroleum tax regime and translation diffe
related to income taxes calculated in NOK.

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

(USD '000)	2021	2020
Deferred tax assets on		
Losses carry forward	8,492	8,636
Loss carry forward not recognised	(335)	(251)
Future uplift recognised in PPA	-	-
Uplift carry forward	9,742	9,999
Asset retirement obligations	149,339	135,465
Inventories	-	-
Other items	2,995	4,026
Total deferred tax assets	170,234	157,875
Deferred tax liabilities on		
Property, plant and equipment	(292,497)	(226,860)
Capitalised exploration expenditures and capitalised interest	(1,370)	(1,340)
Inventories	(42)	(2,201)
Other items	(756)	(1,257)
Total deferred tax liabilities	(294,665)	(231,658)
Net deferred tax liabilities	**(124,431)**	**(73,783)**
Net deferred tax liabilites in balance sheet	**(124,431)**	**(73,783)**

Change in net deferred tax liabilities during the year

(USD '000)	2021	2020
Net deferred tax liability at 1 January	(73,783)	(14,455)
Deferred tax assets reclassified to assets held for sale	-	(7,142)
Charged to the statement of income	(50,195)	(52,195)
Charged to OCI	(453)	9
Net deferred tax liability at 31 December	**(124,431)**	**(73,783)**

Reconciliation of tax receivables:

(USD '000)	202
Tax receivables at 1 January	56,89
Net refund from Skattetaten for prior year tax refund	(56,89
Tax receivable from exploration refund	20,17
Tax receivable from current year tax losses from other than exploration and uplift	14,17
Tax receivable from Uplift	14,49
Refund from Skattetaten from current year tax losses from other than exploration and uplift	(20,33
Tax receivables at 31 December	**28,50**

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

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

Production plants oil and gas are depreciated according to unit of production met

NOTE 14 INTANGIBLE ASSETS

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

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

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

NOTE 15 ASSETS CLASSIFIED AS HELD FOR SALE

(USD '000)
Carrying amount at 1 January 2020
Paid cash call
Deferred tax
Change in deferred tax
Disposals
Carrying amount at 31 December 2020
Paid cash call
Deferred tax
Change in deferred tax
Disposals
Carrying amount at 31 December 2021

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

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

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

NOTE 16 IMPAIRMENTS

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

Two categories of impairment tests have been performed as at 31.12.2021:
- 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.

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

Year	2022	2023	2024	2025	2026	2027
Brent oil price, USD/BOE, in real terms	76	70	68	66	64	66
Currency rates, USD/NOK	8.85	8.90	8.82	8.74	8.66	8.58

Impairment of Valhall & Hod fields including goodwill has been tested for sensitivit
in the various assumptions: 10 per cent reduction of commodity prices, 5 per cent
in production volume, 1 percentage point increase in discount rate, USD/NOK rate
by 1 NOK/USD, and 1 percentage point reduction of inflation. None of these chang
assumptions have caused impairments, given that the other assumptions remain t

NOTE 17 BORROWINGS

Revolving Exploration Finance Facility

(USD '000)	Facility currency	Utilised amount	Undrawn facility	Interest	Matu
At 31 December 2021	NOK	19,276	-	NIBOR + 1.75	Dec 20
At 31 December 2020	NOK	24,529	22,350	NIBOR + 1.75	Dec 20

The total credit limit for the company at 31 December 2021 was NOK [illegible]0 million.

The company signed a revolving Exploration Finance Facility Agreement on 13 No
of NOK 400 million. The facility is made available through the banks SEB and BNP
SEB as lead manager. The availability period of the facility is up to and including 31
2021, with repayment during fourth quarter 2022.

Carrying amount of assets provided as security for the Revolving Exploration Finance Facility:

(USD '000)	2021
Current tax receivable - exploration refund	20,179
Total	**20,179**

The company's obligations to the lenders are secured by a first priority charge ove
bank account, first priority assignment of the tax refund and first priority assignmen
insurances taken out from time to time with respect to the borrower's licences for
plan for development and operation (PDO) has been submitted.

Reserve-Based Lending Facility Agreement (RBL)

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

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

The RBL facility is at year end classified as current liabilities due to final maturity date being defined as the earliest of July 2026 and the date falling 6 months prior to the maturity date of the current bond debt. The company intends to refinance the Bond in full in 2022. The RBL will after refinancing of the bond debt in 2022 be again classified as non-current borrowings.

The financial covenants are as follows:
- Net debt to EBITDAX* not to exceed 3.5x
- Corporate sources** to corporate uses*** applying a ratio of 1.1 to 1 for the next 12 months period
- Corporate sources to corporate uses applying a ratio of 1 to 1 for the period up to estimated first oil of any development assets
- Minimum cash balance of 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):

(USD '000)	2021
Bank accounts excluding pledge account EFF	21,52
Borrowing base assets*	263,23
Trade receivables	15,60
Inventory	(62
Hedging agreements	(46
Total	**299,271**

* The carrying amount of the assets includes working capital and retirement obliga
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 f
security over: (i) shares in and any shareholder loans to the company, (ii) bank acc
(excluding pledge bank account pursuant to the EFF facility), (iii) licence interests ir
borrowing base assets, (iv) hedging agreements, (v) any claims under RBL insuranc
(vi) floating charges over trade receivables and inventory.

Unsecured Bond

(USD '000)	Facility currency	Utilised amount	Interest	Maturit
At 31 December 2021	NOK	49,566	10.61%	April 202
At 31 December 2020	NOK	49,566	10.61%	April 202

The bond is an unsecured bond of NOK 400 million and runs from April 2018 to A
Utilised amount in USD reflects the exchange rate at the inception date for the bo
has been swapped into USD using a cross-currency swap, removing all foreign exc
both on coupons and notional. The interest payments have been fixed using an int
swap. The fixed all-in rate after the swaps is 10.61 per cent. The bond has similar c
the RBL facility. For further information about the currency and interest rate swaps

Directors' Report & Financial Statements

Non-current liabilities to related parties

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

	Facility currency	Loan Amount
(USD '000)		
Kerogen Investment no. 28 Limited	USD	1,000

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

Maturity profile based on contractual undiscounted cash flows

	2021	2020
(USD '000)		
Less than 12 months	86,276	24,529
1 to 5 years	49,566	49,566
Over 5 years	1,000	84,500
Total	**136,841**	**158,595**

NOTE 18 TRADE AND OTHER RECEIVABLES

Other receivables mainly consist of receivables, prepaid expenses and other receivables related to Pandion Energy's interests in licences.

NOTE 19 EQUITY AND SHAREHOLDERS

(USD '000)

	Share capital	Other paid in capital	Other reserves	Retaine earning
Shareholders' equity as of 1 January 2020	**113,491**	**-**	**(3,446)**	**24,97**
Share issue	738	-	-	
Net income for the period	-	-	-	(9,43
Other comprehensive income (loss) for the period	-	-	(32)	
Shareholders' equity as of 31 December 2020	**114,230**	**-**	**(3,478)**	**15,54**
Share capital decrease - unregistered	(103,120)	103,120		
Net income for the period	-	-		5,29
Other comprehensive income (loss) for the period	-	-	1,60	
Shareholders' equity as of 31 December 2021	**11,110**	**103,120**	**(1,871**	**20,83**

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

Pandion Energy Holding AS owns all 911 921 294 shares in Pandion Energy AS as a December 2021. The company is included in the consolidated financial statement parent company Pandion Energy Holding AS. The consolidated financial statemen parent company Pandion Energy Holding AS can be obtained at the Company's re address Lilleakerveien 8, 0283 Oslo.

Directors' Report & Financial Statements

A Subscription and Investment Agreement between Pandion Energy Holding AS and Kerogen has been executed for USD 190 million in equity, of which USD 109 million has been injected as of 31.12.2021 in addition to capital from the management team of Pandion Energy.
The capital of USD 190 million is committed to Pandion Energy and can be drawn upon approval of the Board of the Company. Kerogen has further a right, however not an obligation to provide additional funds in an amount up to USD 110 million, resulting in an aggregate funding up to USD 300 million.

NOTE 20 ASSET RETIREMENT OBLIGATIONS

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

The calculations assume an inflation rate of 2.0 per cent and a nominal rate before tax of 4.0 per cent. During 2021, the ARO liability have increased by USD 17.8 million. ARO provisions have increased by USD 14.0 million related to new wells and installation of the new Hod B platform. Asset removal obligation assumption has further increased by USD 17.8 million due to increased service rate assumed on P&A activities and increased cost of WP removal. The cost of WP has increased after a third-party feasibility study and the fact that it has a close proximity to the IP platform which shall not be removed at the same time. The increased liability was partly offset by removal cost of USD 20.1 million in 2021. The accretion of ARO increased the liability with USD 6.1 million.

NOTE 21 FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT O

	Oil derivatives	Curr
(USD '000)		
Financial assets (liabilities) at 1 January 2020	**(252)**	
Expired contracts at cost	(143)	
Value increase (decrease)	(258)	
Financial assets (liabilities) at 31 December 2020	**(653)**	
Expired contracts at cost	(718)	
Value increase (decrease)	903	
Financial assets (liabilities) at 31 December 2021	**(468)**	

The company has focused on securing liquidity and thus entered into an oil price l
programme to reduce the risk related to oil prices. At the end of the 2021, Pandior
put in place a hedging programme until 31.12.2022. The outstanding hedges as of
consisted only of put options. The negative fair value of the options at 31.12.2021 i
by the options are purchased with deferred premium.

NOTE 22 TRADE, OTHER PAYABLES AND PROVISIONS

	2021
(USD '000)	
Trade payables	1[illegible]97
Share of payables in licences	16[illegible]94
Other non-trade payables, accrued expenses and provisions	9[illegible]87
Trade, other payables and provisions	**27[illegible]78**

NOTE 23 DESIGNATED ACCOUNTING HEDGES

The company applies hedge accounting for hedges that meet the criteria for hedge accounting. The company has chosen to apply hedge accounting to their Cross-Currency Swaps (CCS) and Interest Rate Swaps (IRS). Ultimately, the effect of the hedge is to transform the NOK floating borrowing cost into an interest expense in Pandion Energy's functional currency (USD) at a fixed rate.

Amount, timing and uncertainty of cash flows

Cross-currency swap

Cross-currency interest rate swaps are transactions in which counterparties exchange principal and interest flows in different currencies over a period of time. These contracts are used to manage both currency and interest rate exposures. In Pandion Energy's cross-currency interest rate swaps the Company receives floating rate NOK and pays floating rate USD. The key terms of the cross-currency interest rate swaps are listed below.

Terms of cross-currency swaps	
Start date	20th April 2018
Effective date	4th April 2018
Maturity date	4th October 2022
Notional leg 1	NOK 400 000 000
Notional leg 2	USD 51 609 606
Hedge ratio	1:1
Final exchange (notional)	30th September 2022
Floating rate leg 1	NOK-NIBOR-NIBR
Spread leg 1	7.25%
Floating rate leg 2	USD-LIBOR-BBA
Spread leg 2	7.70%

Interest rate swap

Interest rate swaps are derivative contracts in which two counterparties have agreed to exchange cash flows over a period of time based on rates applied to a specified notional principal amount. In Pandion Energy's interest rate swaps the Company is required to pay a fixed interest rate in exchange for a variable market interest rate determined from time to time, both calculated on a specified notional principal amount. No exchange of principal amount takes place. The key terms of the interest rate swaps are listed below.

Terms of interest rate swaps

Trade date	26
Effective date	5
Maturity date	4th O
Notional amount	USD
Floating rate leg 1	USD
Fixed leg 2	
Final exchange	4th O

For the hedge relationships mentioned above, hedge effectiveness is assessed at t of the hedge relationship and on an ongoing basis. The sources of hedge ineffecti mainly attributed to the following:

- A change in the credit risk of Pandion Energy or the Counterparties to the swap c
- A reduction or modification in the hedged item (i.e. debt repayment).

Effects of hedge accounting on the financial position and performance

The following table provides a summary of financial instruments designated as hed instruments:

(USD` 000)		Nominal amount of the hedging instrument	Carrying amount of the hedginginstrument		Line item in the statement of financial position where the hedging instrument is located	C v in
			Assets	**Liabilities**		
Cash flow hedges						
Foreign exchange risk	Cross-currency swap	51,610	-	6,723	Hedging derivatives	
Interest rate risk	Interest rate swap	51,610	-	1,341	Hedging derivatives	

Hedging reserve	**Interest rate risk**	**Foreign exchange risk**	**Sum**
(USD '000)			
Opening balance hedge reserve 2020	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)**
Added to OCI: Change in fair value of hedging instrument recognised in OCI	70	(1,403)	(1,332)
Reclassified to Income statement – from OCI	1,869	1,523	3,393
Tax	(427)	(27)	(453)
Closing balance - hedge reserve 2021	**1,926**	**(3,796)**	**(1,871)**

Amount reclassified to profit and loss	
Transfers due to hedge item affecting profit or loss	
Interest rate risk	1,869
Foreign exchange risk	1,523
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 lease has an arrangement with contingent payment if the company brings the lease to an end after three years. In June 2020 Pandion Energy entered into an additional agreement for extra storage space. The right-of-use storage asset is valued at kUSD 12. 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
The lease does not contain any restriction on the Company's dividend policy or fir
Extension options are included when it, based on management's judgement, is rea
certain to be exercised. The incremental borrowing rate applied in discounting of t
lease debt is 7 per cent. Right-of-use assets are depreciated linearly over the lifetim
related lease contract.

(USD '000)	
Operating lease debt after IFRS 16 at 1 January 2020	
Remeasurement lease liability	
New lease debt recognised in the period	
Derecognition of lease liability	
Lease payments	
Interest expense	
Currency adjustments	
Total lease debt after IFRS 16 at 31 December 2020	
Remeasurement lease liability	
New lease debt recognised in the period	
Derecognition of lease liability	
Lease payments	
Interest expense	
Currency adjustments	
Total lease debt after IFRS 16 at 31 December 2021	

Nominal lease debt maturity break down	**2021**
(USD '000)	
Within 1 year	[illegible]79
1 to 5 years	[illegible]
After 5 years	-
Total	[illegible]58

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

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

Long term commitments partner-licenses rigs	**2021**	**2020**
(USD '000)		
Within 1 year	3,887	7,384
1 to 5 years	-	3,887
After 5 years	-	-
Total	**3,887**	**11,272**

During Summer 2021 the Maersk Reacher was contracted by the Valhall licence on a 9 months contract to do stimulation and intervention activities on Valhall. The short-term exemption under IFRS 16 was applied for this contract.

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

As a partner of licenses Valhall and Hod, Pandion Energy has obliged commitments for development and other projects. Pandion Energy's share of other long-term commitments related to development projects are stated below:

Other long term commitments - Development projects	**2021**
(USD '000)	
Within 1 year	4,299
1 to 5 years	-
After 5 years	-
Total	**4,299**

NOTE 25 OTHER COMMITMENTS AND CONTINGENCIES

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

Pandion Energy is further required to participate in the approved work programme
licences. The company's operations involve risk of damages, including pollution. T
has insured its pro rata liability on the NCS on a par with other oil companies.
The company was not subject to any legal disputes at 31 December 2021.

NOTE 26 RESERVES (UNAUDITED)

Proved and probable reserves	**million barrels of oil equival**
Balance at 1 January 2021	
Revision of previous estimates	
Discoveries, additions and extentions	
Acquisition of reserves	
Divestment of reserves	
Year 2021 production	
Total reserves at 31 December 2021	

The company's proved and probable oil and gas reserves (2P) have been at the en
estimated to approximately 31.2 mmboe compared to approximately 3[illegible] mmboe
Reserves are calculated in accordance with the Norwegian Petroleum Directorate'
requirements and based on revised national budget (RNB) 2022 numbers received
operators together with internal information.

NOTE 27 SUBSEQUENT EVENTS

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

In January 2022, the operator on Valhall & Hod fields entered into a rig swap agreement where Maersk Reacher is to be replaced by the Maersk Integrator. The swap will take place in the first quarter of 2022. The Maersk Reacher work scope will be transferred on to the Maersk Integrator with an added scope estimated to eight months, which means that Maersk Integrator will be employed until January 2023.

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

Following the Russian invasion of Ukraine at the end of February, the board notes t
implications for commodity prices and potential interruptions of supply chains and
services. Several countries have condemned the invasion and severe sanctions hav
imposed. While the human suffering is clearly the main concern, the board must a
that economic uncertainty, despite no direct exposure to the regions or sanctions,
an impact on the company's business and its markets going forward. The extent to
invasion impacts the company's results will depend on future developments, whic
uncertain and difficult to predict, including new information which may emerge or
basis. Pandion Energy is committed to complying with relevant sanctions and trad
legislation and is monitoring the development in order to mitigate the potential im
company's operations.

Auditor's report

Deloitte.

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To the General Meeting of Pandion Energy AS

INDEPENDENT AUDITOR'S REPORT

Opinion
We have audited the financial statements of Pandion Energy AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, 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 financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the report on payments to governments.

Registrert i Foretaksregisteret Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

Deloitte.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view 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.

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 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 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 the Board of Directors 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.

Oslo, 7 April 2022
Deloitte AS

Lars Atle Lauvsnes

Lars Atle Lauvsnes
State Authorised Public Accountant

Alternative performance measures

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

EBITDAX
Earnings before interest, tax, depreciation, amortisation 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.

Scope 1 GHG emissions
Direct emissions from owned or controlled sources.

Scope 2 GHG emissions
Indirect emissions from the generation of purchased energy.

SUSTAINABILITY REPORT

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.

Sustainability

Introduction

Since its inception, Pandion Energy's strategy has been to be an active and responsible partner in creating further stakeholder value by investing in projects placed at the lower end of the carbon intensity curve and by targeting upsides in and around proven assets with access to existing infrastructure.

Today, Pandion Energy is a full-cycle upstream company, participating in exploration, appraisal, development and production of oil and gas resources on the Norwegian continental shelf (NCS), including sales and marketing of crude oil.

Since production started on the NCS in the early 1970s, the oil and gas sector has grown into Norway's largest industry measured by value added, government revenues, investment and export value. Petroleum activities have contributed significantly to economic growth in Norway and to financing the Norwegian welfare state. Activity on the NCS will continue to be vital to the national economy in the years ahead. While global energy demand is expected to grow significantly over coming decades, emissions need to be materially reduced in order to meet the goals of the Paris agreement. Although the world's dependence on fossil fuels will undoubtedly decrease over time and the exact path to a decarbonised economy is uncertain, oil and gas will exist alongside renewables for decades to come, both as a source of energy and as a raw material for a wide range of products.

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. In 2021, Pandion Energy became one of the first exploration and production (E&P) companies on the NCS to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2. Furthermore, it supports the UN sustainable development goals (SDGs) selected by its main shareholder Kerogen Capital, including the following:

We aim to be an active and responsible business partne believe that sound business decisions are a product of team, an active board and competent owners.

The company's core values – professional, agile, commercial and a team p an integral part of its culture. From the energy used to power its biggest as Valhall and Hod fields, down to the investment criteria for prospective opp sustainability is at the core of the company's business strategy. Climate risk incorporated into its investment criteria with the objective of creating value basis of being a carbon-neutral producer.

Pandion Energy's carbon intensity is amongst the lowest in the E&P industr globally and on the NCS. Despite its relatively modest size and non-operat it works closely with the operators of its assets to ensure that the best prac sustainable operations are continually applied.

The licensee role

A great deal of diversity prevails today on the NCS. At the beginning of this the NCS was opened up to various categories of companies as a way of en sound resource management. The large international oil companies were by other types of players with differing perspectives on value creation, pror competition and efficiency.

Joint operating agreements are particularly common in the oil and gas ind a production licence (PL), one company is assigned the status of the opera each partner holds a percentage of equity as a licensee. This distinction is i since the operator is responsible for the day-to-day management of activit the licence, while the licensees have a reduced level of control. However, on the NCS have a "see to it" duty – an obligation to ensure that the operat out its work in accordance with the regulatory requirements. Licensees who have been awarded production licences on the NCS are carefully assessed in advance and prequalified by the Norwegian regulators – in part on the basis of their expertise, capacity and willingness to discharge the responsibilities of a licensee. The joint venture structure enables experience transfer, supervision of the operator's activities and enhanced decision-making.

At 31 December 2021, a total of 36 exploration and production companies were active on the NCS: 23 as operators and a further 13 as partners in production licences. Pandion Energy is a privately-owned full-cycle oil and gas company, participating in E&P activities on the NCS as a licensee. At 31 December 2021, Pandion Energy was a partner in 14 licences.

Being an active and responsible partner
A licensee on the NCS has a responsibility to take action if it identifies conditions which fail to comply with Norway's health, safety and environmental (HSE) regulations for the petroleum sector. It also has an independent duty to secure adequate information and to audit the operator as necessary. The licensee must take a risk-based approach in observing this "see to it" duty, and establish a management system to structure its supervisory work in a systematic manner.

Pandion Energy takes its responsibility as a licensee very seriously, and aims to be recognised as an active and responsible partner. The company has established a comprehensive HSE management system which requires competent employees and contractors to deliver compliant operations through rigorous planning and execution. It is also a system for effective risk management.

The company has a team of 25 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. It benefits greatly from its borderless cross-disciplinary communication and short decision lines, which permit the company to develop a different perspective from the operator when not focusing on day-to-day execution of operations.

As solely a partner, Pandion Energy is also reliant on working closely with the operators to set environmental, social and governance (ESG) objectives and supervise

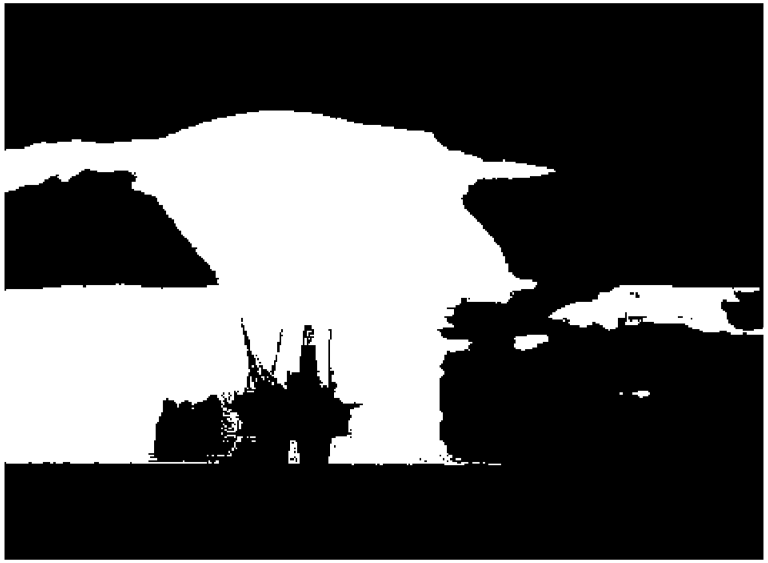
the management and performance of such matters. Pandion Energy advoc sharing of raw emission data within licences in order to take responsibility of the activities.

As a partner, Pandion Energy is also reliant on working closely with the ope set environmental, social and governance (ESG) objectives.

Outlook towards net zero carbon

According to the Norwegian Environment Agency (NEA), oil and gas extrac the second largest source of greenhouse gas (GHG) emissions in Norway. it accounted for 27 per cent, deriving from extraction of oil and gas on the gas processing in onshore facilities, and loading, storage and transport of c and other petroleum products. Most of these GHG emissions are CO_2 fro production. Energy efficiency, reduced flaring, increased use of electricity,

Sustainability



capture and storage are highlighted as the most important measures for reducing future emissions.

No "business as usual" exists for the energy industry on the path to a net zero society. While the renewables sector is set for significant growth, oil and gas consumption is likely to underpin primary energy demand for some time to come. A pure-play oil and gas company can play a vital role in this energy transition. Pandion Energy believes that managing the risks and opportunities posed by the transition is critical for delivering long-term returns to its investors. Norway has a well-developed transition strategy, with the industry enjoying a relatively low carbon footprint. Pandion Energy ranks amongst the companies with the lowest place on the Norwegian petroleum industry's carbon intensity curve.

A carbon-light strategy has always been an imperative for Pandion Energy. of its strategy is to maximise the value of oil and gas assets by using infrast already in place, utilising available resources in the best possible manner, k costs low and emissions at a minimum. The company specifically targets u in and around proven assets with access to existing infrastructure, and has its investment criteria to ensure that new growth opportunities are evaluate regard to CO_2 aspects and climate change while working with the industry the GHG emission targets set by national regulators. The company strives t collaboratively with industry peers and partners in sharing lessons learned a improving the collective ability of the industry to minimise the environmen and to be aligned with a carbon-neutral world.

As the rest of the world starts to move closer to Norway's leading position carbon intensity, Pandion Energy will continue working to minimise its foo support other players in the sector to do the same.

Stakeholder engagement and materiality

Pandion Energy engages both directly and indirectly with internal and exte stakeholders in a continuous dialogue throughout the year to obtain their i sustainability topics. Key stakeholders are employees, investors, business pa government agencies, local communities, NGOs and suppliers. The comp committed to an open and transparent communication with all stakeholde promoting proactive dialogue and seeking honest feedback on its activi

Sustainability in Pandion Energy is anchored by the material issues identifie having the greatest impact for Kerogen Capital, its main shareholder. These sustainability topics are expected to be valid in the medium to long term. S attention is paid to key energy-specific ESG factors such as compliance, op health and safety, environmental impact and climate change.

Consequently, Pandion Energy has addressed these issues in the sustainab section of this 2021 combined annual report. During 2022, the company w strengthen its reporting on the basis of an updated materiality assessment.

Corporate governance and compliance

Pandion Energy believes that effective corporate governance is critical in ensuring accountability, achieving its strategic goals and generating value for its stakeholders. Together with Kerogen Capital, its main shareholder, the company seeks high standards of performance and professionalism based on honesty, integrity and fairness in its business practices. Pandion Energy works together with partners and contractors on the basis of the same principles of integrity and fairness, with zero tolerance for bribery and corruption.

The board believes that good governance is rooted in compliance with legislation and statutory regulations and in ensuring a culture of integrity, accountability and transparency. Corporate governance aims to regulate the division of roles between shareholders, the board and the executive management more comprehensively than is required by legislation.

Pandion Energy has established a comprehensive HSE management syster requires competent employees and contractors to deliver compliant opera through rigorous planning and execution, and is also a system for effective management.

A detailed model of governance, risk management and control has been d and implemented in Pandion Energy through the company's management This incorporates activities at shareholder and market level as well as by th executive management.

- Governance at the shareholder and financial market level occurs throug general meeting, investor relations activities and financial market comm including financial reporting.
- Board-level governance includes setting strategies and objectives for th defining instructions, policies and risk limits, and monitoring operations, and compliance.
- The board has appointed a chief executive officer (CEO) to act as the co principal operational manager. The CEO's powers have been specified b board, and they are required to work within that mandate and report reg the board.
- A key governance element at the management level is the company's b management system, which includes formalised business processes for activities in the company, including business planning, implementation a monitoring.

ESG roles and responsibilities

Executive management is responsible for risk and opportunity identification ensuring effective processes and mitigation efforts, including ESG matters their respective areas of responsibility. VP HSE and operations is responsibl reporting and supervising the processes related to risk management, HSE f up, compliance, and business continuity. The CEO is ultimately responsible ESG performance of the company. While the board has an overall leadersh supervisory role in all ESG matters including climate change.

The board has two sub-committees, for ESG and remuneration respectively.

The ESG committee comprises two board representatives supported by CEO and VP HSE and operations. Its primary role is to support the board in:

- managing ESG risks (including their impact on the community, climate change and the environment), and ensuring that the company's ESG policies and practices are in alignment with its values, purposes and culture
- integrating the management of climate change and other sustainability factors into the company's strategy and business plan, and aligning external reporting with recognised norms.

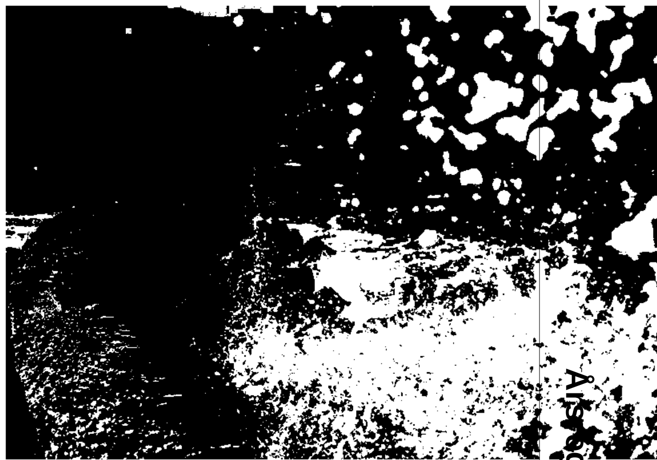
The remuneration committee ensures that remuneration arrangements support the corporate strategy and performance, including ESG- and climate-related performance targets.

Responsible business

Pandion Energy strives to uphold the highest standards of ethical behaviour in all its operations along the whole value chain. The company's commitments to responsible business conduct are set out in its code of conduct, including its position on anti-corruption and human rights.

Code of conduct
Pandion Energy believes strongly that an ethical business culture is the cornerstone of a sustainable company. Its code of conduct includes mandatory requirements for everyone who works for and on behalf of Pandion Energy, serves as the company's guide to ethical business practice, and represents its core values for acting with integrity at all times.

The code of conduct is the company's main governance tool. It provides guidance on how to act in accordance with the company's core values, and includes references to relevant policies, processes, procedures, resources and tools. It sets out Pandion Energy's expectations, commitments and requirements for ethical conduct in its business. The code of conduct applies to directors, executive management and all



employees and consultants. Pandion Energy also expects all its business pa suppliers to act in a manner consistent with the principles of the code of c

Areas covered by the code include the HSE policy and commitment, equa anti-harassment, working conditions, including modern slavery and child la corruption, confidentiality, conflicts of interests, business practices towards and partners, and guidelines on gifts, hospitality and expenses.

The board of Pandion Energy has established the code of conduct in close cooperation with the management team. The CEO is ultimately responsibl implementation and for monitoring its operational effectiveness. The code will be evaluated on a regular basis to reflect Pandion Energy's activities as as a company and as changes are made to laws and regulations.

The company requires all employees and in-house consultants to participa training in the code of conduct. All employees have a personal responsibili comply with the requirements set out in the code of conduct as well as ap laws and statutory regulations relevant to their work. Managers have an additional responsibility in supporting and promoting compliance with the code of conduct and related policies, standards and procedures. The code of conduct is communicated internally and on the company's website.

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.

No cases involving breaches of the guidelines in the code of conduct were recorded in 2021.

Anti-corruption

Corruption exposes not only the individual but also the company to penal liability. In addition, it may cause significant losses as well as irreparable and long-term harm to the company and its business. At Pandion Energy, it is wholly unacceptable to engage in any activity regarded as corruption or other illegal practices such as anti-money laundering or tax evasion. The company has zero tolerance for any form of bribery, corruption, fraud, dishonesty or deception, and this stance is endorsed by the board. This means that Pandion Energy has no tolerance for paying, facilitating or receiving any bribes or facilitation payments, for using undue influence, disguising the proceeds of crime or facilitation of tax evasions. The company conducts its business honestly, fairly and transparently.

Although the risk of corruption in Norway is generally considered to be low, it is important to be aware that corruption also happens there and to be conscious of potential dilemmas and grey areas, such as conflicts of interest, relationships with business partners, gifts and hospitality. The company's goal is to act in an ethical and transparent manner, so that it can be a trusted business partner, employer and corporate citizen.

Pandion Energy will comply with all applicable anti-corruption laws and regulations. The company is backed by Kerogen Capital, an independent private equity fund manager based on London and Hong Kong, and is required to comply with the UK Bribery Act and the US FPCA.

The company's employees must not offer, promise or give, nor request, ag
receive or accept, any bribe of any description or value to reward the impr
performance of a person's duties, including public officials. Bribes could be
but can equally take other forms such as the offer of a job, travel, accomm
use of assets, or a service or loan. No employee should ever engage in, au
tolerate corruption for any reason at any time. Furthermore, they should n
or accept an improper advantage which has no legitimate business purpos
provided in order to influence the recipient's decision-making.

Employees are obligated to report to their line manager or other senior ex
they witness a bribe or are ever offered or requested to pay a bribe. Payme
through a threat to life, health or safety, or of illegal detention, is permissib
not result in any form of retaliation, but must be reported immediately.

Pandion Energy's anti-corruption and anti-bribery efforts include necessar
embedded in the company's financial and procurement procedures, audits
partner due diligence and awareness training, as well as an independent c
reporting concerns. The company also encourages its business partners a
to make a clear commitment to opposing corruption and bribery.

No cases of corruption were reported in 2021.

Confidentiality, inside information and conflicts of interest

All employees should make sure that they keep confidential information se
be aware of their responsibility to not talk about confidential and sensitive i
concerning Pandion Energy with outsiders, including family and friends. In
confidentiality agreements with partners, counterparties and other stakeho
company has a general obligation to maintain confidentiality and protect t

Inside information covers details about a listed company that are not publi
and are likely to have a noticeable effect on the price of securities. While P
Energy is not a listed company, its bond loan has been listed on the Nordic
October 2018. The Nordic ABM is an alternative bond marketplace regulat
Børs ASA. Listing indicates that the bonds are subject to market surveillanc
Børs, which carries out identical market surveillance for both the Oslo Stoc
and Nordic ABM. Pandion Energy employees may well become aware thro

Sustainability

work of inside information concerning vendors, business partners and, particularly, licence partners.

Information concerning specific licences may represent inside information until it is disclosed to the public. In general, the company has an obligation towards its licence partners to maintain the confidentiality of all information related to licences.

More specifically, Pandion Energy employees may not misuse inside information for their own benefit or for the benefit of family members or affiliates. Pursuant to the Norwegian Securities Trading Act, trading in securities while in possession of inside information is subject to strict liability. Pandion Energy will not tolerate any breach of confidentiality in general or any misuse of inside information.

The company respects the privacy of its employees and their right to manage their personal affairs, activities and investments. However, conflicts of interest may arise if personal, social, financial or political activities could influence, or appear to influence, their ability to make the right decision for Pandion Energy. The company expects all employees to act in its best interest at all times.

Whistleblowing
Pandion Energy believes in openness and transparency. Illegal or unethical matters may have a negative effect on the working environment and the company's business in general. It is important that such matters are dealt with properly.

The company encourage employees, contractors and any of its current and former affiliates who have concerns about any aspect of its business to raise them and to disclose any information which relates to improper, unethical or illegal conduct in the workplace. Pandion Energy employees have a right and an obligation to raise concerns about the business, including matters such as:

- illegal conditions and breaches of the law
- breach of ethical norms and internal guidelines
- harassment or discrimination in the workplace that may endanger life or health.

No whistleblowing reports were received during 2021.

HSE policy
HSE are critical in the oil and gas industry, where operations can affect the environment, communities and the workforce. Devoting attention to HSE a governance issues is strategically important to Pandion Energy. The comp integrates technical, economic and HSE considerations in its decision-mak operational processes in order to achieve long-term sustainability of the bu to reduce risk.

Pandion Energy places great emphasis on ensuring that operations it partic in are safe for the people involved, and seeks to minimise their impact on t environment. All personnel, whether employees or contractors, are expect be aware of their role in managing HSE risks within their area of responsibi expertise. Employees are encouraged to speak up and to halt any work the be unsafe and, furthermore, to report any instances of unsafe practices an dangerous working conditions.

No cases or activities in violation of the HSE policy guidelines were registe

Sustainability

Risk management
Technical, economic and ESG considerations, including HSE and climate ri
integrated in Pandion Energy's decision-making and operational processes
to achieve long-term sustainability of the business and to reduce risk. Pand
Energy strives constantly to manage ESG risks by understanding the expos
risk, and thereby minimising the possibility of occurrence and reducing the
consequences. Effective management of ESG risks is about embedding ES
in the company's culture and operating procedures.
Business risk is an integral part of Pandion Energy's strategies and goals, an
activities will be based at all times on a balanced and realistic view of risks a
opportunities. Responsibility for implementation and accountability for the
with the board and executive management, and must be owned and unde
the appropriate level in the organisation.

Pandion Energy manages and reports enterprise-level risks and opportuniti
an enterprise risk management process. The purpose of this process is to:

- identify, monitor and report potential events that may affect the compar
- manage risk to keep it within the company's risk appetite
- provide reasonable assurance that key objectives will be reached.

Enterprise risks and opportunities are captured across four major business
categories: strategic, operational, financial and compliance/ESG.

Communicating risk has a high priority in Pandion Energy and the framewo
purposely designed to discuss the key issues effectively rather than provide
documentation of all possible risks that any enterprise is exposed to. It ena
board to actively assess the overall risk exposure of the company as require
governance process.

Reference is also made to the Directors' Report statement on risk and risk
management on page 24.

Sustainability

Climate change

Pandion Energy recognises that climate change is of critical importance to the future of the planet and supports the goal of the Paris Agreement to limit global warming to below 2⁰C and ideally to 1.5⁰C. The company is aligned with the carbon-reduction strategy adopted by the Norwegian government and the net zero strategy of Kerogen Capital, its main shareholder.

Since its inception, Pandion Energy has been committed to maintaining a low carbon footprint – as demonstrated by carbon intensity levels per barrel which are amongst the lowest in the Norwegian and global E&P industry, ranging from 1.1 – 3.4 kilograms of CO_2 per barrel of oil equivalent for its net production. In 2021, Pandion Energy launched its strategy to achieve net zero carbon emissions.

A key part of this strategy involves aligning the company's investment criteria to ensure that new growth opportunities are evaluated with regard to CO_2 aspects and climate change risk in order to sustain a resilient asset portfolio.

To meet the demands of the worlds growing population the need for affordable, reliable and clean energy is increasing. The path to the energy system of the future is uncertain and, as reflected by forecasts and scenarios from the International Energy Agency (IEA), a wide range of different outcomes exists for oil and gas demand. While the world's reliance on fossil fuels will undoubtedly decrease, oil and gas will remain an important commodity even in a fully decarbonised society. The oil and gas industry must thus continue its efforts to reduce its operational emissions to the lowest possible level.

In 2021, Pandion Energy became one of the first E&P companies on the NCS to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2. The commitment to carbon neutrality has been achieved through low carbon intensity production and by carbon offset programs aligned with the UN sustainable development goals (SDGs) for the remaining balance of the hard-to-abate emissions. Pandion Energy recognises that carbon offsetting is not the long term solution to climate change. It sees the use of offsets as part of an overall plan to reduce carbon impact of its operations with the target to reduce absolute emissions over time.

To meet stakeholder expectations for transparent and robust disclosures o related to climate change affect the company and its resilience, Pandion E committed to align its disclosures with the recommendations of the task fo climate-related disclosures (TCFD).

Reference is made to the TCFD index on page 85.

Scenario analysis and resilience

In line with the best practice recommended by the TCFD, Pandion Energy scenario analysis to assess potential impacts of the climate change and en transition on its business, financial performance and long-term strategy.

Selected scenarios are evaluated to assess possible shifts in the macroecor outlook, technology developments, policy and legal implications and proj demand for the company's petroleum products (oil, gas and natural gas liq Each energy-transition scenario yields a range of commodity prices for po oil and so forth, and environmental fees and taxes. These assumptions are refine the understanding of climate-related risks and opportunities and to a resilience of the company's portfolio.

Pandion Energy's scenario analysis includes the two following scenarios.

- The IEA's Sustainable Development Scenario (SDS) – an energy future th simultaneously achieves the UN SDGs related to energy. In the scenario in clean energy policies and investments put global emissions on track f zero by 2070, while also meeting the development aspirations of a grow population.
- The IEA's net zero emissions by 2050 Scenario (NZE2050) scenario – th energy sector achieves net zero emissions by 2050 to fulfil the Paris agr and limit global warming to 1.5°C by 2100.

Both scenarios are published by the IEA as part of its World Energy Outlool reports and align with TCFD requirements which require companies to ass resilience to a 2°C or lower scenario. They are also commonly used by Par

Energy's industry peers, and can aid investors and other stakeholders to assess portfolio resilience across companies.

A third-party consultant has been engaged to develop assumptions and modelling through a series of workshops, integrating the risks and the corresponding mitigation strategies into Pandion Energy's enterprise risk management system for increasing its climate resilience.

Climate risk
Climate-related risks and opportunities are captured in line with the recommendations of TCFD. The identification and evaluation of climate related risks and opportunities is an ongoing process and an increase in the granularity of the analysis over time can be expected. The executive management team, ESG committee and board all engage in the risk review process for climate-related risks and opportunities. The risks are defined in short (zero-three years), medium (three to 10 years) and long-term (10-25 years) perspectives.

Transition risk
Policy and legal
The assumed policy and legislative changes are based on stated policies from the Norwegian government, regulatory changes related to stated commitments, and motivation for the transition to renewables. The carbon tax assumptions, for example, are specific to Norway and are more aggressive than the IEA SDS.

Petroleum operations on the NCS are subject to European Union emission allowances (EUAs) in the EU emission trading system (EU ETS) as well as the specifically Norwegian carbon tax. The combination of a national carbon tax and the EU ETS means that companies pay a higher price per tonne of CO_2 emitted in Norway than in most other countries with petroleum activities.

- Short-term (one-two years): increasing the carbon tax by around 10 per cent annually, which is in line with recent historical trends.

- Medium-term (around two-seven years or more): providing a clear market signal through raising carbon tax by 10-12 per cent annually, introducing additional environmental taxes and potentially removing tax exemption opportunities such as exploration refunds. As part of Norway's climate action plan announced 2021, the country has set a target of gradually increasing the total cost p CO_2 from around USD 80 in 2020 to USD 235 by 2030 (in 2020 value). that the national carbon tax will be regulated in a manner that takes EU into account to ensure that the overall target prices in 2030 is reached. government may rise the bar for frontier oil exploration.

- Long-term (around 10 years or more): limiting access to acreage and lo asset valuation. Carbon costs may exceed USD 235 per tonne of CO_2 by

With a view to mitigating the risks outlined above, Pandion Energy has inte net zero carbon ambition into its investment strategy by:

- establishing an offsetting strategy with different pricing scenarios
- pursuing exploration and appraisal opportunities only in areas with existi plausible future access to renewable energy sources
- incorporating GHG emissions and the potential for future carbon reduc new investment criterion for development and production assets
- incorporating the cost of carbon in evaluating new investments where r energy sources are not available.

Technology
Pandion Energy assumes that market considerations should be reflected in technology development trends for renewable energy. The electricity-gene transition from fossil fuels to renewables is expected to accelerate. With a decline in the cost of solar, wind and related power technologies and impr in their efficiency, variable renewable energy sources will gradually but stea transition from a marginal role to becoming one of the most competitive e sources in 2050. Under the IEA SDS, 72 per cent of the world's electricity w generated from renewable sources by 2040.

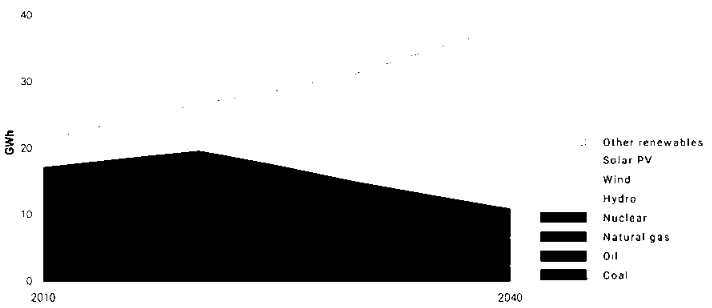
Solar PV and wind will be the leading sources of the world's electricity, pro total of 45 per cent. An additional 17 per cent will come from hydropower.

However, a significant demand for oil will persist. Carbon capture utilisatio storage (CCUS) technology can help to achieve net negative emissions fro

Sustainability

and industrial sources, and offset transport and building emissions. In addition, Pandion Energy will continually review potential opportunities related to increased use of electricity on the NCS and repurposing offshore infrastructure, and consider investing in relevant projects. Financial risks posed by the increased cost of operations will be minimised when account is taken of the future carbon costs avoided and/or prolonging the commercial life of infrastructure through delayed decommissioning.

World electricity generation
Sustainable Development Scenario[1]



Marked demand
"Final consumption" is defined as the energy supplied to the final consumer for all applications. It is usually disaggregated into the final end-use sectors – industry, transport, households, services and agriculture. The transition currently under way is particularly related to the growing dominance of electricity in final consumption, which will have increased to 31 per cent in 2040.

The steady increase in electricity use partly reflects the following factors:
- the share of renewables in the electricity mix is rising while the capital costs of solar and wind power-related infrastructure continue to decline, making electricity relatively cheaper than other energy
- electrical systems involve smaller losses than fossil- and biomass-fuelled systems
- more electrical-powered appliances are available in the market.

[1] *Source: IEA World Energy Outlook 2020*

On the other hand, demand for oil will decline towards 2040, although the
an incremental short- or medium-term increase towards a pre-Covid level.
The net zero carbon strategy implemented by Pandion Energy not only bu
positive corporate image for sustainability, but also involves active steps to
potentially reduced investor appetite in the long term.

Oil price
Primary energy demand is the total amount of energy the world needs to
energy requirements. The IEA SDS forecasting model shows that the total
energy demand will decline gradually from 14.4Mtoe in 2019 to 13.0Mtoe i

The share of fossil fuels in the energy mix, at just over 80 per cent, has rem
steady for more than a decade. But this is set to change significantly with
decarbonisation around the world. The mix is estimated to become 56 per
fuels, 35 per cent renewable energy and nine per cent nuclear by 2040.

The NZE2050 scenario implies an even faster transition from hydrocarbon
a significantly lower demand for oil than the SDS. Pandion Energy will there
devote greater attention to cost-efficient and quality assets when making i
decisions in order to reduce the financial risk of smaller revenues owing to
low oil prices in the medium to long-term.

World primary energy demand
Sustainable Development Scenario[1]

Sustainability

Physical risk
Pressure points from the physical risks of climate change arise primarily from a possible increase in the severity of extreme weather and sea level rises, causing asset impairment in the long term.

Located in the North Sea, the field centre on the producing Valhall and Hod fields have been subject to subsidence, and rising sea levels and extreme waves may potentially amplify subsidence issues and the risk for installations.

The operator has designed a business continuity plan for extreme weather events to minimise operational downtime. To eliminate this risk and prolong the lifetime of the fields, the most exposed installations have already been phased out and are being decommissioned. Given the very long potential producing life of the fields, a project for building a new central platform has been initiated and, amongst other things, will factor these risks into the design.

Pandion Energy assesses physical risks from climate change as less material to its business and more manageable, due to the fact that its assets were designed to withstand acute and chronic physical impacts. But transition risks require more focus and active management, with the top risk for the company being the changing long-term demand for oil.

However, uncertainties and limitations are substantial, and Pandion Energy will continue to expand and evolve its scenario analysis to incorporate future market conditions.

Handling climate risk

Since its inception, Pandion Energy has been committed to maintaining a low carbon footprint, as demonstrated by carbon intensity levels per barrel which are amongst the lowest in both the Norwegian and the global E&P industry, at 1.5 kilograms of CO_2 per barrel of oil equivalent in 2021. Although this performance places it firmly in the top tier of the E&P industry worldwide, the company does not intend to rest content there. It supports the goal of the Paris agreement to achieve a carbon-neutral global economy, and is aligned with the carbon-reduction strategy adopted by the Norwegian government and the net zero strategy of its main shareholder, Kerogen Capital.

Net zero carbon strategy
The carbon-light strategy has always been an imperative for Pandion Energ
the rest of the world starts to move closer to Norway's leading position on
emission reduction, the company will continue working to minimise its foo
to support other players in the sector to do the same.

Pandion Energy's strategy to net zero carbon rests on four key pillars:
- working with industry to meet the GHG emission targets set by national
- committing to net zero carbon operations by offsetting the remaining h abate CO_2-equivalent emissions
- aligning investment criteria to maintain a low carbon footprint in its port
- promoting transparency and accountability

Net zero carbon
Strategic targets

Working with industry to meet GHG emission reduction targets

Committing to carbon neutral operations from 2020 (Scopes 1&2)

Aligning investment criteria to maintain a low carbon footprint portfolio

Pro transpa accou

TC

Climate commitments

Emission reductions
Pandion Energy remains committed to ongoing emission-reduction measures across the portfolio, despite its carbon intensity being amongst the lowest in its industry. As a non-operator, the company will contribute to reaching national carbon reduction targets by cooperating with operators on asset-specific carbon reduction strategies based on the emission profile and properties of the individual assets. The company strives to work collaboratively with industry peers and partners in sharing lessons learned and improving the collective ability of the industry to minimise the environmental footprint and to be aligned with a carbon-neutral world.

Carbon neutrality
In 2021, Pandion Energy became one of the first E&P companies on the NCS to achieve carbon neutrality for CO_2 emissions in scopes 1 and 2. The commitment to carbon neutrality has been achieved through low carbon intensity production and by carbon offset programs aligned with the UN sustainable development goals (SDGs) for the remaining balance of the hard-to-abate emissions. Pandion Energy recognises that carbon offsetting is not the long term solution to climate change and sees the use of offsets as part of an overall plan to reduce carbon impact of its operations with the target to reduce absolute emissions over time. To ensure the environmental integrity of offsets, the company will be putting emphasis on carbon removal offsets which are in line with the Oxford principles for net zero aligned carbon offsetting.

Investment criteria
Pandion Energy has updated its investment criteria to ensure that new gro
opportunities are evaluated with regard to CO_2 aspects and climate

This includes:

- pursuing exploration and appraisal opportunities only in areas with existi
plausible future access to renewable energy sources
- incorporating GHG emissions and the potential for future carbon reduct
key investment criterion for developments and producing assets
- incorporating the future cost of carbon emissions when evaluating new
investments where renewable energy sources are not availab

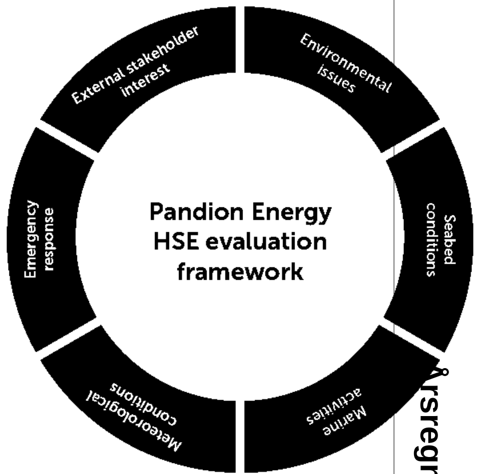
Transparency and Disclosures
Pandion Energy has committed to align its disclosures with the recommen
presented by the TCFD. The company will advocate for sharing raw emi
data within licenses in order to take responsibility for its net carbon emissio
has developed operational tools to monitor and support the assets' carbon
performance. Pandion Energy reports equity-based scopes 1 and 2 and sel
scope 3 GHG emissions.

Sustainability

Environmental impact

Pandion Energy is committed to minimising the environmental impact of its activities. The company's HSE policy sets out the objectives and expectations applicable to the operations which the company participates in as a licensee. Pandion Energy values transparency on risk and how environmental aspects are handled in relation to its assets, including managing and monitoring emissions to the air, minimising discharges to the sea and optimising waste handling. The company is also committed to considering, preserving and safeguarding biodiversity.

As part of its decision-making process before entering new licences, Pandion Energy has established an HSE evaluation framework for assessing HSE complexity on the basis of area properties – including (but not limited to) environmental issues such as sensitive habitats, spawning areas, biodiversity priority areas and vulnerable resources. At a later stage, this evaluation framework is applied as input to the company's follow-up activities with the operators.



Environmental management

As part of its "see to it" duty, Pandion Energy confirms that the operator ha[s] established an environmental management system which is fit for purpose commencing petroleum activities in any licence in its portfolio.

This is also a requirement in relation to regulatory application processes be[fore] commencing operations on the NCS. All responsible parties on the NCS m[ust] establish, follow up and further develop a management system designed t[o] compliance with the requirements of Norway's HSE legislation – including Pollution Control, Working Environment, Petroleum, Product Control and E[xplosion] Explosion Protection Acts.

Sustainability

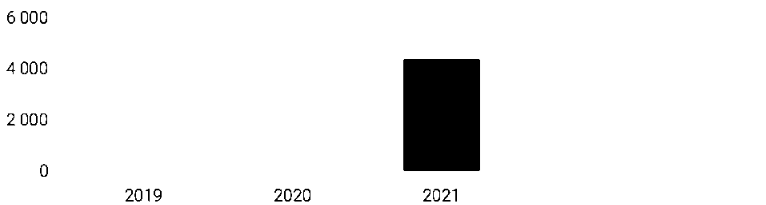
All petroleum-related activity on NCS is subject to public consultation and government approval, mostly through a consultative process on environmental permits. Stakeholders, local communities and interested parties are entitled to comment on environmental and social issues and to submit recommendations to the government on planned activities. Pandion Energy follows up operator responses to these recommendations, with attention concentrated on compliance with the government's operational conditions as defined in the management plans.

Discharges to the sea from petroleum activities on the NCS are regulated by the licence discharge permits issued by the NEA. The compliance status of discharges and emissions is reported annually to the government for both producing fields and drilling activities. Annual reports, together with associated feedback from the NEA, provide input for a continuous improvement of environmental performance. The operator of the Valhall and Hod fields, where Pandion Energy holds a 10 per cent interest, holds a field-specific permit under the EU ETS, and the associated climate accounting for Scope 1 emissions is subject to annual third-party verification.

GHG emissions

Pandion Energy has established a GHG accounting system on the basis of the principles in ISO 14 064. Emission sources subject to reporting have been selected on the basis of materiality and control principles. The metrics disclosed represent the net equity share of GHG emissions from Pandion Energy's working interest in licences on the NCS where petroleum activities are conducted.

CO_2e emissions[1]
Net tonnes CO_2 in scopes 1 and 2

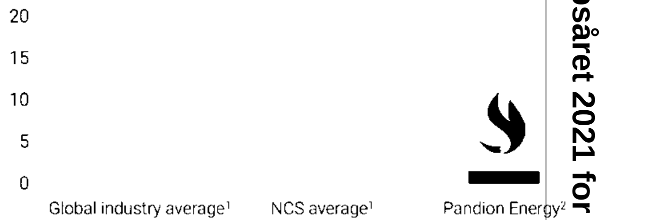


[1] *Pandion Energy net equity basis from production assets and exploration and appraisal wells*

In 2021, scopes 1 and 2 included emissions from exploration and appraisal
of 3 wells on two different production licenses and activities on the Valhall
Hod producing fields, apportioned according to Pandion Energy's equity sh
The main source of emissions form exploration and appraisal drilling were
to power generation from combustion of liquid fuel (diesel) by the drilling r
The main sources of emissions from Valhall and Hod are combustion of lic
by various utilities with diesel engines, flaring and periodical power generat
mobile drilling rigs conducting activities on the field. Flaring is generally ver
on NCS and only permitted for safety purposes, such as emergency shutdo
reported emissions to air in 2021 were within the relevant permit requireme
fluctuations in annual emissions the last three years are mainly attributable
activity level.

The Valhall area has been powered from shore since 2012, originally elimir
annual turbine emissions of approximately 320 000 tonnes of CO_2 and 60
of NOx. The electricity is acquired from the national power grid in Norway
is principally underpinned by hydropower and other renewable energy sou
Norway is a historic net exporter of electric power, the associated CO_2 em
close to zero. Additionally, the Valhall field centre has been set up to accor
long term rig hires with electricity procured through the 294 km cable fror
the coast of Norway. In 2017, the jack up rig, Maersk Invincible, was the firs
drilling rig in the world to run using onshore power. This delivered further e
reduction of 15 000 tonnes CO_2 and 168 tonnes NOx annually.

Carbon Intensity
Kg CO_2 per boe produced



[1] *NOROG/IOGP, 2020*
[2] *Pandion Energy net Equity Basis production, Scope 1 and 2 emissions; 2020: 1.1 kg CO_2/boe; 2021: 1.5 kg CO_2/boe*

The attention paid to scope 3 emissions is growing and, from 2022, Pandion Energy will be putting increased emphasis on mapping the indirect GHG emissions. As a licensee, the company is reliant on working closely with the operators on emission reduction, and is pleased to see the strategic priority given to reducing Scope 3 emission among its operator partners. The operator of Valhall and Hod has included Scope 3 emissions in its corporate climate strategy from 2020 and is in a continuous process of mapping those related to its operations. Only the emissions identified and reported by the operator so far are included in this report. The Scope 3 emissions include upstream categories 1-8 as specified by the GHG protocol.

Scopes 1, 2 and 3 for operations controlled by Pandion Energy are relatively immaterial when compared with asset emissions, therefore its GHG emissions for its office activities and travel were not measured.

Biodiversity
As a licensee on NCS, Pandion Energy participates in operations mainly concentrated in marine surroundings. It is therefore important that the licensees are committed to working continuously on protecting and conserving the associated ecosystems and their species in order to safeguard genetic biodiversity.

Norway signed up to the convention on biological diversity in 1993, and the NEA enforces strict regulations with the aim to ensure that water quality in marine areas helps to preserve species and ecosystems. The NCS is among the most extensively mapped, analysed and ecologically managed marine areas in the world. Biodiversity priority areas are identified in the regional management plans applied by the Norwegian government since 2006.

These plans set out the operational conditions for all activities in each area of the NCS, including petroleum operations. They also identify protected areas as specified by the International Union for Conservation of Nature (IUCN), where no or only limited industrial activity is permitted. Furthermore, area sensitivity is weighed against industrial activities, local interests, international treaties and goals to determine the conditions for permitting industrial activities. Operational conditions are defined for each licence, such as drilling restrictions, requirements for extended biological monitoring, and additional oil spill response measures.

The Valhall area, where Aker BP is the operator, is currently the only produ in Pandion Energy's portfolio. Biodiversity protection measures are describ enshrined in the operator's environmental strategy and environmental mar system. These include:

- minimising impacts on biodiversity
- considering biodiversity in planning and decommissioning activities
- preventing and reducing loss or degradation of ecosystems
- preventing and minimising impacts on sensitive species and population
- performing environmental analyses and risk assessments as well as asse impacts on birds, fish and marine mammals when planning activities
- monitoring activities.

In order to verify the environmental impact on biodiversity from petroleum the oil and gas industry in Norway performs sediment analyses and water-c monitoring at regular intervals to detect possible negative impacts and to i new measures as required.

Water and effluents
Pandion Energy's net production is not located in water-stressed environm and water withdrawal and water scarcity are not considered material issues operators on the NCS. Fresh water is used for drinking purposes, in accom and in some drilling operations. Seawater is used for operations such as co firefighting purposes and pressure support for the reservoir. The main wate management issue is operational discharges to sea. The general approach generating and handling effluents aims at the lowest possible environment accordance with environmental strategies set for the field, and the followin priority applies:

1. preventing occurrence
2. reuse/recycling/reinjection
3. reduction
4. treatment and disposal/discharge.

Minimum standards are set for the quality of effluent discharge. Produced discharged to sea is regulated by the NEA with a threshold value of 30mg c

Sustainability

litre of produced water per month (weighted average). Produced water on Valhall is either reinjected into the reservoir for pressure support or discharged to the sea after sufficient treatment in accordance with the best available techniques and regulatory requirements. In 2021, the average oil concentration was 16.46mg of oil per litre for the Valhall and Hod fields.

Other water management actions include prioritised substitution of chemicals with the most adverse properties to less hazardous substitutes. Use and discharges of chemicals are also regulated by the field specific permits issued by the NEA.

Oil spill preparedness plans are established by the operators for the specific petroleum activities based on environmental risk assessment and regulatory requirements before commencement of operations. The oil spill response measures involve trained personnel who work purposefully to prepare for and mitigate possible discharges. All the operators of the licenses where Pandion Energy is licensee participate actively in the Norwegian Clean Seas Association for Operating Companies (NOFO). NOFO is specially trained to manage oil spill response operations and assumes a key role with regard to mitigation measures and oil spill recovery at sea in cases where member companies are responsible for an oil spill.

No oil spills occurred from Pandion Energy assets in 2021. One incident on Valhall resulted in discharge of chemicals greater than 0.10m³ in 2021. The incident was related to the deluge system and resulted in discharge of 2.20m³ firefighting foam (chemical categorised as yellow).

Waste
Operational activities in Pandion Energy's assets are based offshore, where all significant production waste, both hazardous and non-hazardous, is generated. The largest fractions of hazardous waste, in terms of weight, come from drilling operations. When wells are drilled, drill cuttings contaminated with drilling fluids are carried back to the surface. All production waste, such as drilling mud and drill cuttings, is dealt with using the same waste-handling hierarchy described for water and effluent.

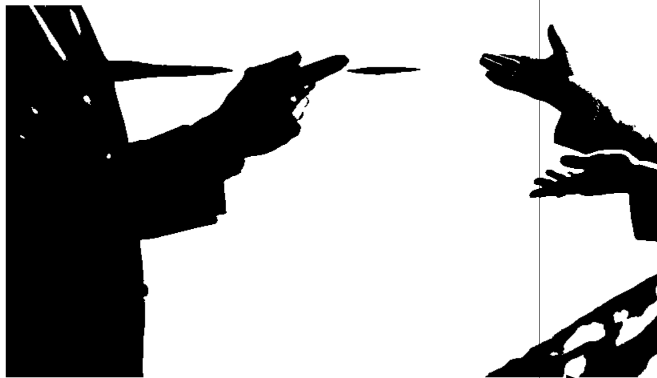
Oil-based drilling mud is reused for as long as the technical quality of the mud remains intact. In other cases, the mud is sent onshore for treatment and disposal.

Such mud contains a water fraction that is treated prior to discharge, and t are controlled under government permits held by the waste disposal contr hazardous and non-hazardous waste are transported to land. The majority waste is handled in Norway and the regulatory rules are followed.

Another source of waste is decommissioned offshore installations. The Val Hod fields are undergoing comprehensive modernisation, including the re obsolete platforms. In 2021, the QP jacket on Valhall was removed. 98 per the total jacket weight was recycled at Aker Solutions Yard in Stord. Since t of the steel in jackets is high, it is blended in steel mills with other qualities new products. All final disposal of waste categories is tracked and docume receiving facility and weights. The QP topside was removed in 2019, the fir demonstrated a recycling rate of 90 per cent of the total weight.

Social impact

Pandion Energy values the unique contributions of its employees and believes that a diverse and inclusive workforce enhances deliveries and accomplishments. Further, health and safety management are critical in the oil and gas industry and the company places great emphasis on ensuring that operations conducted in its licences are performed without harm to people involved. Regarding human rights a risk-based approach is always considered related to new investment opportunities, for purchases of material goods and services.



Human rights

Pandion Energy is committed to the protection of internationally recognised human rights and fair and ethical work practices. It has zero tolerance of modern slavery and child labour in any parts of its business and supply chain. All workers must be ensured safe, secure and healthy working conditions, including working hours, as well as wages and benefits that meet or exceed national legal standards. The workplace must be free from any form of harsh or inhumane treatment. All applicable laws and regulations on the above-mentioned issues must be complied with. The company's position on modern slavery and child labour is covered in the working conditions section of its code of conduct.

The company operates in a low-risk environment for human rights abuse, since all its assets are located in Norway. Furthermore, the majority of the subcontractors and vendors providing goods and services to its assets are also based in Norway or in other low-risk countries. However, Pandion Energy is aware of potential human and labour rights risks that may occur in some parts of the industry and further down the supply chains, and takes a risk-based approach when considering potential human rights issues related to material contracts under the joint operating agreements.

Suppliers and business partners
Pandion Energy's business partners and suppliers are essential to its ability to do business, but can also expose it to reputational, operational and legal risk. T company expects its business partners and suppliers to comply with applic respect internationally recognised human rights, and adhere to the ethical outlined in its code of conduct when conducting business with or on beha Pandion Energy.

Risk is managed through in-depth knowledge of the company's business partners, suppliers and markets. Pandion Energy seeks to monitor the activ and performance of its business partners in line with the assessed risk to se compliance with its code of conduct. Applying a risk-based approach, the will perform third-party due diligence of business partners, suppliers or cou where appropriate.

No cases of human rights issues were reported in 2021.

Diversity and employment
Each member of the Pandion Energy team is valued, and the company is c to providing an environment free from any form of discrimination, abuse, h or intimidation by or towards its employees or others affected by its opera company's values define the way people work in Pandion Energy. Furtherm

Sustainability

company aims to be recognised for positive energy, equality and professionalism, and will treat everyone with fairness, respect and dignity.

Pandion Energy values the unique contributions of its employees and believes that a diverse and inclusive workforce enhances deliveries and accomplishments. The company aims to maintain a working environment with equal opportunities for all, based on performance and irrespective of gender, age, religion, ethnicity, sexual orientation, disability or any other protected status. Its experience is that quality and diversity lead to enhanced decision-making based on a variety of perspectives and understanding of risk.

The E&P industry is traditionally male dominated. Women comprise 30 per cent of the Pandion Energy technical team, whose members also have a wide range of experience – spanning from eight to more than 40 years. Pandion Energy has been able to attract a rich variety of talent, concentrating solely on professional achievements and an explicit culture of equality and diversity. The compan tolerate any discrimination of colleagues or others affected by its business.

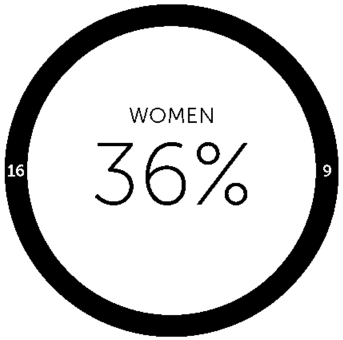
In 2021, 36 per cent of the employees were female, compared with 38 per year earlier. Women made up 50 per cent of the management team, while directors is female.

Harassment and intimidation
Courtesy and respect are important aspects of a healthy working environm sound business dealings. Pandion Energy expects all employees to treat ev they come into contact with through work or work-related activities in a re manner. It will not tolerate any verbal or physical conduct that harasses ot disrupts others' work performance or creates a hostile work environment.

No cases of harassment or intimidation were reported in 2021.

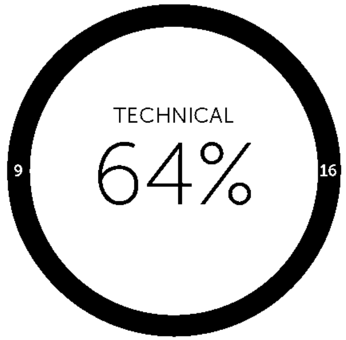
Gender

Female
Male



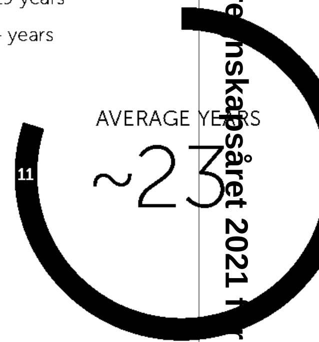
Business / Technical staff

Technical
Business



Experience

5-10 years
10-19 years
30+ years



Sustainability

Health and safety

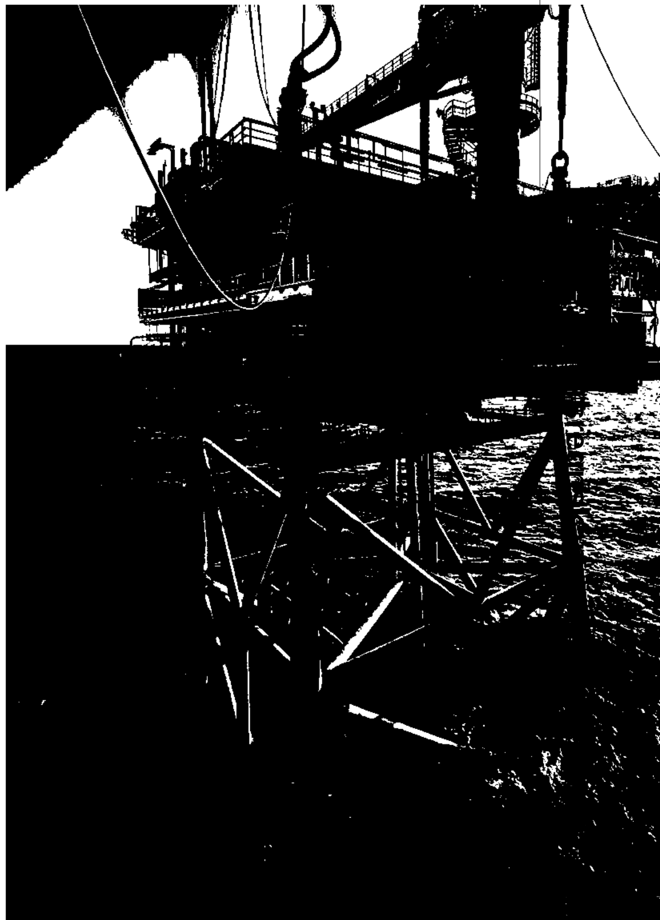
Health and safety management is critical in the oil and gas industry, where operations can affect communities and the workforce. No one should be harmed or injured while working at or on behalf of Pandion Energy.

Major accident risk
Pandion Energy recognises the risks associated with the company's operational assets. The risk of major operational incidents is always present, since drilling, production and decommissioning activities will never be completely risk-free. 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.

As a licensee, the company places great emphasis on ensuring that operations conducted on its licences are performed without harm to people involved. No task is so important that it has to be performed with an unacceptable risk to health and safety. As part of its "see to it" duty, the company reviews the operators' HSE plans, risk assessments and health and safety reporting on a regular basis.

All operational activities in Pandion Energy's licenses in 2021 were conducted without serious incidents, but three minor medical treatment incidents were recorded at Valhall, which shows room for improvement. The operator and Pandion Energy both agree that no one shall be injured working on our behalf.

Sickness absence
Sickness absence among Pandion Energy's employees in 2021 was 1.38 per cent, compared with 2.44 per cent the year before. Since the company has relatively few employees, sickness absence by just one or two people can significantly affect the percentage. Pandion Energy seeks to keep sickness absence low by constantly improving working conditions. No work-related injuries were suffered by its employees in 2021.



Sustainability data

Climate change*

Scope 1	Note	2021	2020	2019	
Direct GHG emissions	1	4,068	4,570	6,192	t
Third party verified direct GHG emissions	2	2,902	2,228	5,209	t
CO_2 (Carbon dioxide)		4,043	4,545	6,174	
CH_4 (Methane)		17	25	18	t
Scope 1					
Indirect GHG emissions	3	329	-	-	t
CO_2 intensity					
Equity share CO_2 intensity	4	1.5	1.1	3.3	
Net production		5,152	5,639	4,336	
Scope 3					
Other indirect GHG emissions	5	4,729	not reported	not reported	t

** Unaudited - see page 84*

Sustainability

Notes to sustainability data

NOTE 1 DIRECT GHG EMISSIONS

Scope 1 emissions include direct emissions from petroleum activities in Pandion Energy's production licences apportioned according to its equity share in those licences. Activities and licenses included are listed below.

As Pandion is not an operator, it does not have the direct authority to monitor and record the consumption. The reported data is based on the operators' data reported to the Norwegian Environmental Agency (NEA) with a verification statement issued by an independent third party for producing fields (Valhall and Hod)1. Internal quality assessment is applied to ensure the accuracy of the data reported from the operators.

NEA conduct verifications of all reported environmental data post publication of this report. This may result in minor variations of the data at a later stage.

Year	Assets	Activities	Equity Share	Reporting Source	Assuran
2021 2020 2019	Valhall & Hod (PL 006 B, 003 B, 033)	Drilling, production, development, abandonment	10 %	Annual field emissions report Annual climate quota report	YES
2021	PL 617	Exploration drilling	20 %	Annual exploration emissions report	NO
2021	PL 820 S	Appraisal drilling	12,5%	Annual exploration emissions report	NO
2020	PL 263 D/E	Exploration drilling	20 %	Well specific emissions data reported within licence	NO
2020	PL 891	Exploration drilling	20 %	Well specific emissions data reported within licence	NO
2019-2020[2]	PL 820 S	Exploration drilling	10 %	Annual exploration emissions report	NO
2019	PL 842	Exploration drilling	30 %	Well specific emissions data reported within licence	NO
2019	PL 636	Development drilling	10 %	Annual exploration emissions report	NO

[1] 3rd party verification report of the Annual climate quota report as required by the NEA, EU ETS verification report
[2] Operation was partially conducted in 2019. Total emissions reported in 2020.

NOTE 2 THIRD PARTY VERIFIED DIRECT GHG EMISSIONS

Production assets only; High Assurance to the following standard: European Union Emissions Trading System (EU ETS).

NOTE 3 INDIRECT GHG EMISSIONS IN SCOPE 2

Scope 2 emissions include market-based emissions from Valhall and Hod on a net equity basis.

Valhall receives power from shore from the national grid in Norway which is principally underpinned by hydropower and other renewable energy sources. As Norway is a historic net exporter of electric power, the associated CO_2 emissions are close to zero.

Scope 2 emissions reported in 2021 are related to 2 per cent non-renewable energy sources in the Norwegian power supply market. Climate declaration factor from NVE used to calculate emissions is 8gCO_2e/kwh (2020 factor is used, as the 2021 factor is not available until mid-2022).

NOTE 4 CO_2 INTENSITY

CO_2 intensity is calculated on the basis of net equity production and associated scope 1 and 2 CO_2 emissions. Pandion Energy's scope 2 emissions are relatively immaterial when compared to the overall portfolio, therefore its GHG emissions for its office activities were not measured.

NOTE 5 INDIRECT GHG EMISSION IN SCOPE 3

Other indirect emissions from third party sources that occur in the value chain resulting from Pandion Energy's activities.

Scope 3 emissions include mapped scope 3 categories allocated to the Valhall and Hod on an net equity basis. Mapped scope 3 categories include:

Category 1	Purchased goods and services (cement wells)
Category 2	Capital goods (steel wells and steel)
Category 3	Fuel and energy related activities, not included in scopes 1 or 2 (skips and vessels)
Category 4	Upstream transportation and distribution (platform supply vessels)
Category 5	Waste generation in operations (incineration)
Category 6	Business travel (not material, not applicable)
Category 7	Employee commuting (helicopter transportation)
Category 8	Upstream leased assets (not material, not applicable.)

Pandion Energy's scope 3 emissions in category 6 business travel are relatively immaterial when compared to the overall portfolio, therefore its GHG emissions from company travel were not measured.

UNAUDITED

This section contains non-financial measure are subject to measurement uncertainties re from inherent limitations in the methods use determine the figures stated. Choosing diffe but acceptable measurement techniques ca to significantly different results and precisio main period of information disclosure of thi section is from 1 January 2021 to 31 Decem 2021, unless otherwise specified. Pandion E reserves the right to update its measuremer techniques and methods in the future.

As Pandion Energy is not an operator, it doe not have direct authority to monitor and rec operational performance data within the pro licences. Internal quality assessment is appli ensure the accuracy of the data reported fro operators.

Certain economic and market information contained in this section has been obtained published sources and/or prepared by other While such sources are believed to be reliab information has not been independently ver Pandion Energy.

No audit or independent assurance of this s has been conducted.

TCFD index

	Section in report
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b) Describe management's role in assessing and managing climate-related risks and opportunities.	Page 69, 71
Strategy	
a) Describe the impact of climate related risks and opportunities on the organization's businesses, strategy, and financial planning.	Page 26, 71-73
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Risk Management	
a) Describe the organisation's processes for identifying and assessing climate-related risks.	Page 71
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Metrics and targets	
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 76-7[illegible]
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Abbreviations

ABM	Alternative Bond Market
boe	barrels of oil equivalents
boepd	barrels of oil equivalent per day
CCUS	Carbon Capture, Utilisation and Storage
CEO	Chief Executive Officer
CO_2	Carbon Dioxide
CO_2e	Carbon Dioxide equivalents
E&P	Exploration & Production
ESG	Environmental, Social, Governance
EUA	European Union Allowances
EU ETS	European Union's Energy Trading System
GHG	Greenhouse Gas
HSE	Health, Safety, Environment
IEA	International Energy Agency
IUCN	International Union for Conservation of Nature
MODU	Mobile Offshore Drilling Unit
Mtoe	Million tonnes of oil equivalent

NCS	Norwegian Continental Shelf
NEA	Norwegian Environmental Agency
NOFO	Norsk oljevernforening for operatørselskap (Norwegian Clean Seas for Operating Companies)
NVE	Norges vassdrags- og energidirektorat (The Norwegian Water Reso Energy Directorate)
NZE2050	Net Zero by 2050 Scenario
PL	Production License
Scope 1	Direct emissions from owned or controlled sources
Scope 2	Indirect emissions from the generation of purchased energy
Scope 3	Indirect emissions (not included in scope 2) that occur in the value the reporting company, including both upstream and downstream
SDS	Sustainable Development Scenario
PV	Photovoltaic
TCFD	Task Force on Climate-Related Financial Disclosure
TWh	Terawatt-hours
UN	United Nations
US FPCA	U.S. Foreign Corrupt Practices Act
VP	Vice President
WEO	Word Energy Outlook

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To the General Meeting of Pandion Energy AS

INDEPENDENT AUDITOR'S REPORT

Opinion
We have audited the financial statements of Pandion Energy AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, 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 financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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
The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the report on payments to governments.

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Responsibilities of Management for the Financial Statements
Management is responsible for the preparation of financial statements that give a true and fair view 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.

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 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 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 the Board of Directors 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.

Oslo, 7 April 2022
Deloitte AS

Lars Atle Lauvsnes

Lars Atle Lauvsnes
State Authorised Public Accountant