Panoro Energy

Third Quarter Report 2010

November 25, 2010

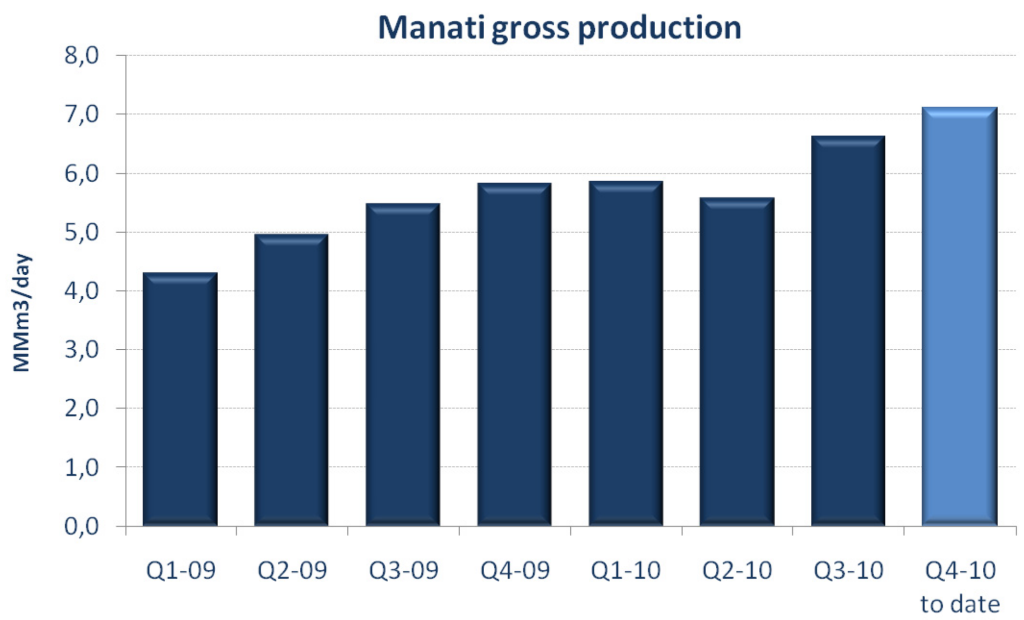
Contents

Highlights and events

Panoro Energy ASA ("PEN" ticker code OSE) and its subsidiaries ("Panoro Energy" or "the Company") report EBITDA of USD 7.0 million for the third quarter. During the quarter, the Manati field in Brazil delivered solid production and cash flow, the MKB project in Congo-Brazzaville confirmed successful fracking and oil flow to surface, the Operator for the BS-3 area in Brazil confirmed that new development plans for the area will be submitted in January 2011 and the Company commenced a farm-out process for the Santos Round 9 exploration licenses in Brazil. After the close of the quarter, the sale of the Ajapa field offshore Nigeria was completed for a consideration of USD 30 million.

Third Quarter Highlights and Subsequent Events

- Record group net production averaged 3,992 boe/day in the third quarter, up 19 percent from the previous quarter
- Group EBITDA was USD 7.0 million, up from USD -3.6 million in the previous quarter
- Closed the sale of the Ajapa field, offshore Nigeria for a consideration of USD 30 million
- Positive production test from the MKB project in Congo-Brazzaville
- Operator announced that new development plans for BS-3 in Brazil will be submitted in January 2011
- Ongoing farm-out process and data room for the exploration blocks SM-1035, SM-1036 and SM-1100 in Brazil
- Prepayment of approximately NOK 43 million (15%) plus accumulated interest to NEC01 bondholders
- Successful completion of USD 140 million 1st lien bond issue



Operational update

Brazil

Manati Field: (Petrobras 35% (Operator), Panoro Energy 10%)

Average production from Manati in the quarter was 6.63 million m^3 (4,170 boe net to Panoro) per day, resulting in sales of 3,992 boe/day. This represents an increase of approximately 21% from the third quarter 2009 and an increase of approximately 19% compared to the second quarter 2010.

After the close of the quarter, the field achieved a new record daily production of 7.94 MMm3 (4,992 boe/day net to PEN) mainly caused by continued strong demand from thermo-electric plants in the north east of Brazil. Fourth-quarter production to date (through November 18, 2010) has averaged 7.12 million m3 (4,478 boe net to Panoro) per day.

Panoro Energy and its partners have progressed negotiations for an amendment to the existing gas contract to include all additional volumes in the field.

BS-3 Project (Cavalo Marinho (50%), Estrela-do-Mar (65%) and Coral redevelopment (35%))

On behalf of the partnerships in the BS-3 area, the Operator (Petrobras) has communicated that it will submit a new development plan to the Brazilian National Petroleum Agency ("ANP") by January 13, 2011. The updated development plan intends to include Panoro's two assets Estrela-do-Mar and Cavalo Marinho and potentially the Coral field, as well as other Operator-owned fields in the area.

The Operator has formally confirmed that the updated development plan will include a plan for an extended production test in the B1 reservoir, with the objectives of both understanding reservoir productivity as well as demonstrating the economic potential to produce this reservoir in combination with the B2/B3 reservoirs. The Guaruja B1 reservoir is a low-permeability reservoir present throughout the BS-3 area, and could contain up to 1 billion BOE Oil-in-Place in Estrela-do-Mar and Cavalo Marinho. In Panoro's view, the B1 reservoir holds high potential, and the inclusion in the updated development plans will represent an important milestone for the Company.

In addition, the Operator has communicated that it will evaluate opportunities for further integration of the field developments in the area. This includes evaluating a common gas solution including gas from other fields in the area, i.e., Tiro, Sidon and Tubarão, and potentially others, and also the possibility of using one FPSO for all the fields in the BS-3 area. This approach is in line with Panoro's preferred integrated concept for development in the area. Final concept selection is expected to take place in Q3-2011.

Santos Round 9 Exploration Assets (Panoro Energy 50% (Operator), Brasoil 50%)

In early October 2010, Stellar Energy Advisors were appointed to commence a farm-out process of the Company's three shallow water exploration licences SM-1035, SM-1036 and SM-1100 in Brazil. Following the finalisation of the technical work, Panoro Energy estimates the licenses could hold gross unrisked volumes of 880 MMBOE (best estimate), with an upside case of 1,100 MMBOE. A data room has been open during the fourth quarter and the outcome of the farm-out process is expected to be concluded in Q1-11.

Camarao Norte (Petrobras 35% (Operator), Panoro Energy 10%)

The Operator has initiated the unitization process for Camarao Norte and the Camarao field to the south (100% El Paso) as required by ANP.

Sardinha (El Paso Óleo e Gás 40% (Operator), Petrobras 40%, Panoro Energy 20%)

After assessing the economic and technical feasibility of the field, along with the environmental challenges due to the location of the field, the Company has decided to withdraw from this license.

CONGO-BRAZZAVILLE

Mengo-Kundji-Bindi (MKB) (SNPC 60% (Operator), Panoro Energy 20%)

Testing of the two wells Kun-4bis and Kun-5 continued through Q3, flowing the wells one at a time through a rental test separator. Data gathering has been conducted, which included Memory Production Logging Tool (MPLT) surveys in both wells and a Pressure Build-Up ("PBU") survey in Kun-4bis.

Operations and testing to date have confirmed sufficient permeability, frackability of the reservoirs and oil flowing to surface without any formation water. Due to operational considerations the wells were shut-in for fishing activities for most of September, but production was restarted thereafter. During the testing program, Kun-4bis has shown capacity to produce 600 bopd and the KUN-5 well has shown capacity to produce 300 bopd. Combined production from these two wells is expected to decline to a stable rate of 500-600 bopd after one year of production.

The rental test separator was demobilised in October and the wells were shut-in. The rental test separator will be replaced by a short-term production package from SNPC that will allow for continuous simultaneous test production and testing of the two wells. Once installed, the new separator will remain in operation until the early production facility (EPF) is installed and commissioned in H2 2011. The contract for engineering and design was awarded to a reputable London-based company in August 2010, and the EPF is currently in the detailed engineering phase in preparation for procurement and contracting.

GABON

Dussafu Marine (Harvest, 66.67% (Operator), Panoro Energy 33.33%)

Preparations are underway for drilling of the Ruche Marine-1 exploration well to test the Hibiscus East prospect offshore Gabon. Contracts for long-lead items are being placed and a rig is being sourced with a view to spud the well during H1 2011. The drilling plan is designed to test the Gamba and Dentale sandstones, including provisions for contingent testing and a further sidetrack to appraise any discovered hydrocarbons.

NIGERIA

OML113 Aje Field (YFP Operator, Chevron Technical Advisor, Panoro Energy 6.5% participating interest)

The Joint Venture partners are continuing to evaluate the impact of the new PSDM resource volumes on the Aje project. Revised development concepts are currently being evaluated, and the Joint Venture partners are continuing to evaluate options for commercialising the gas.

Ajapa (Brittania-U Operator, Panoro Energy 40%)

After the close of the quarter, Panoro announced the completion of the sale of the Company's 40% working interest in the Ajapa marginal field in OML 90, offshore Nigeria, for a consideration of USD 30 million.

NIGERIA-SAO TOME JDZ

Block 3 (Addax Operator, Pan-Petroleum 10%)

Panoro Energy's JDZ (Joint Development Zone) subsidiary has notified JDA(Joint Development Authority) and partners of its withdrawal from the license and the partnership, and relinquishment of its JDZ block 3 interest.

Financial information

Income statement review

EBITDA for the third quarter of 2010 was USD 7 million, up from a negative EBITDA of USD 3.6 million in the previous quarter. The improvement reflects 19% higher production in Manati, no major restructuring costs like it was in Q2-10 , and no major exploration costs as the Round 9 seismic program in Brazil has come to an end.

Gas revenues increased 21% from the second to the third quarter, as a direct result of the increase in sales and production volumes. Production costs for the third quarter of USD 1.2 million were in line with the previous quarter despite the increase in production volumes. Exploration related costs were USD 0.1 million in the third quarter. This compares to USD 4.7 million in Q2-10.

General and administrative cost increased from the second quarter to the third quarter, due to the addition of Pan Petroleum's West African business at the end of Q2-10. G&A increased by USD 0.4 million to USD 3.2 million. EBIT was USD 4.6 million in the third quarter, up from a negative USD 5.6 million in the second quarter 2010. Depreciation increased by USD 0.4 million to USD 2.3 million, and the Company recognized a share based payments charge of USD 0.1 million reflecting the proportionate fair value of options granted to employees and management during the quarter. In the third quarter 2009, EBIT was a negative USD 14.0 million, including a USD 12.5 million impairment charge in relation to the relinquishment of the BCAM-40 exploration license.

EBITDA for the first nine months of 2010 was USD 9.8 million, a large increase from USD 1.3 million in the same period last year. The increase mainly reflects 24% higher production volumes, and a USD 9.3 million reduction in exploration costs. This was partly offset by one-off merger costs of USD 5.6 million related to the spin-off from Norse Energy Corp. ASA and the merger with Pan-Petroleum. General and administrative costs were USD 9.0 million in the first nine months, an increase of USD 3.7 million from the corresponding period last year, including the post-merger results of Pan-Petroleum subsidiaries.

EBIT was USD 3.6 million for the first nine months of 2010, compared to a negative EBIT of 15.9 million in the same period in 2009. Depreciation increased by 30% to USD 6.1 million in the first nine months, primarily reflecting higher production, exchange fluctuations and a minor impact of reserve estimate revisions.

Income before tax was USD 2.1 million in the third quarter compared to a loss before tax of USD 8.9 million in the second quarter 2010 and a loss of USD 11.0 million in the third quarter last year. This includes net effects of foreign exchange items of USD 1.1 million, net finance costs of USD 4.0 million, and a positive non-cash effect of USD 0.1 million for the Company's warrants for the quarter. The net effects of foreign exchange items mainly arose on the NOK-denominated NEC01 bond, cash balances in Panoro Energy, and exchange differences on conversion of Brazilian debt into local currency (BRL) from USD.

Year to date, the Company reports a loss before tax of USD 8.8 million, compared to an income before tax of USD 13.2 million in the first nine months of 2009. Net interest costs amounted to USD 13.8 million, compared to USD 5.8 million in the same period last year, with the increase explained by higher interest charges on Brazilian external loans prior to restructuring, and the interest on the NEC01 bond. Net foreign exchange effects were a negative USD 1.1 million for the first nine months, compared to a positive effect of USD 37.1 million in the first nine months last year. The year to date results in 2010 include a USD 2.9 million gain on acquisition of subsidiary, which represents the excess of fair value of the Pan-Petroleum net assets over the fair value of the consideration shares issued at the time of the merger. This was recognised as income in accordance with IFRS 3 in the second quarter 2010.

The Company recognized an income tax charge of USD 2.9 million in the third quarter, compared to a tax benefit of USD 2.0 million in the second quarter and a tax benefit of USD 4.0 million in the third quarter 2009. The sequential change mainly reflects a decline in deferred tax assets for the period. Income tax mainly pertains to Brazilian operations, and the tax charge of USD 0.4 million for the first nine months compared to a tax charge of USD 4 million for the comparable period in 2009.

Net loss for the third quarter 2010 was USD 0.7 million, compared to a loss of USD 6.9 million in the second quarter 2010 and a loss of USD 7.0 million in the third quarter 2009. For the first nine months of 2010 the net loss USD 9.3 million, compared to a net income of USD 9.2 million explained by large foreign exchange gains in the same period last year.

Bonds, debt, associated warrants and other financial information

A prepayment of approximately NOK 43 million (15%) plus accumulated interest was made to NEC01 bondholders early in the third quarter. This was in accordance with the demerger from Norse Energy Corp ASA and the corresponding refinancing of bond loans.

After the close of the quarter, the Company announced a refinancing initiative, with the aim to replace the existing Brazilian bank debt of approximately BRL 142 million and the NEC01 bond debt from the demerger of NOK 244 million, totalling approximately USD 125 million. The Company successfully completed the issue of a USD equivalent 140 million bond issue ("New Bond") to replace existing debt as well as raising an additional gross USD 15 million for general corporate purposes. The new 1st lien bond has, inter alia, security ring-fenced to the Company's 10% interest in Manati, Brazil's largest non associated gas field in production.

With the completion of the New Bond, Panoro Energy successfully refinanced all outstanding interest bearing debt, resulting in about USD 80 million in improved financial flexibility over the next two years. This is being achieved through lower amortization and interest costs, an end to the cash sweep in Brazil, as well as excess funds from the bond issuance.

The New Bond is split in two tranches, one USD tranche of USD 105 million and one NOK tranche of NOK 205 million, in total equalling USD 140 million. The New Bond has a tenor of eight years with annual instalments of USD 14 million from November 2012 until November 2017. The remaining USD 56 million ("bullet") matures in November 2018.

The USD tranche carries a coupon rate of 12% while the NOK tranche carries a coupon rate of 13.5%. The New Bond has inter alia share pledges in the Company's Brazilian subsidiaries, including the subsidiary that holds a 10% share in the BCAM-40 license which includes the Manati field.

Following the successful bond issue, the Company convened a bondholders meeting to accept early redemption of the existing NEC01 (NO 001027594.4) bond loan at a call price of 104.0 plus accrued interest. Investors in the NEC01 bond subscribing in the New Bond was taken out from the NEC01 bond at the call price on the settlement date for the New Bond, whereas the remaining amount under the NEC01 will be redeemed at latest on 15 January 2011 at the call premium (the exact date to be set by the Trustee).

The Company was in compliance with its loan covenants by the end of the quarter. At the end of the third quarter, the equity ratio was 56%, up from 52% at the end of the previous quarter. The stock price closed the quarter at NOK 4.30 per share and the PEN-J warrants closed at NOK 0.35.

Funding

Cash and cash equivalents decreased by USD 21 million in the third quarter to USD 30 million at September 30, 2010. Gross interest bearing debt decreased from USD 130.4 million per June 30, 2010 to USD 121.5 million per September 30, 2010. Net interest bearing debt was consequently USD 90.9 million per September 30, 2010.

With the refinancing in place, the Company has significantly strengthened its financial position. Furthermore, the completion of the Ajapa sale for a consideration of USD 30 million secures added financial strength for the Company. Also, with the ongoing farm down of Round 9 exploration assets in Brazil the Company is continuing to optimize its portfolio and work towards more flexible capital commitment structures.

Outlook

Production on the Manati field provides a solid foundation for the Company, and the anticipated amendments to the gas contract will provide further cash flow predictability in the coming years.

In the MKB, production is set to restart from the Kun-4bis and Kun-5 wells after replacement of the separator. The project organisation continues to evaluate the operational experiences in order improve efficiency before commencing drilling operations.

For the BS-3 licenses in the Santos Basin, Panoro looks forward to seeing the Operator submit a new development plan early 2011. This is an important milestone on the way to a final investment decision and ultimately production from the BS-3 fields.

For the Round 9 exploration assets, the outcome of the farm-out process is expected to be concluded in Q1-11.

With the debt refinancing in place and the completion of the Ajapa sale, the Company moves into 2011 with significantly improved financial flexibility.

The Board of Directors

Panoro Energy ASA

Oslo, November 25, 2010

Dr. Phil Vingoe
Chairman

Tord Pedersen
Board member

Katherine H. Støvring
Board member

Christine M.K. Wheeler
Board member

Ragnar Grundtvig Søegaard
Board member

Interim condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPRHENSIVE INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Q3 2009	Q2 2010	Q3 2010	*Amounts in USD000*	Note	YTD Q3 2010	YTD Q3 2009
	Unaudited				Unaudited	
9,559	9,695	11,734	Oil and Gas revenue	3	31,665	23,562
-	-	-	Other income		251	-
9,559	**9,695**	**11,734**	**Total revenues and other income**		**31,916**	**23,562**
(919)	(1,164)	(1,220)	Production costs		(3,338)	(2,805)
(6,810)	(4,659)	(96)	Exploration related costs	8	(4,836)	(14,165)
(1,748)	(2,786)	(3,207)	General and administrative costs		(8,264)	(5,319)
-	(4,678)	(198)	Merger and restructuring costs		(5,656)	-
82	**(3,592)**	**7,013**	**EBITDA**		**9,822**	**1,273**
(1,532)	(1,966)	(2,324)	Depreciation		(6,101)	(4,702)
(12,500)	-	-	Impairment		-	(12,500)
-	-	(106)	Share based payments		(106)	-
(13,950)	**(5,558)**	**4,583**	**EBIT - Operating income/(loss)**		**3,615**	**(15,929)**
-	2,931	-	Gain on acquisition of subsidiary		2,931	-
(1,950)	(5,678)	(4,000)	Net finance income/(costs)		(13,781)	(7,958)
4,917	(47)	1,431	Net foreign exchange gain/(loss)		(1,129)	37,126
-	(577)	129	Warrants effect - gain/(loss)	12	(448)	-
(10,983)	**(8,929)**	**2,143**	**Income/(loss) before tax**		**(8,812)**	**13,239**
3,950	2,008	(2,871)	Income tax benefit/(expense)	4	(486)	(4,011)
(7,033)	**(6,921)**	**(728)**	**Net income/(loss) for the period**		**(9,298)**	**9,228**
15,356	(10)	9,312	Exchange differences arising from translation of foreign operations		7,127	29,121
15,356	**(10)**	**9,312**	**Other comprehensive income/(loss) for the period (net of tax)**		**7,127**	**29,121**
8,323	**(6,931)**	**8,584**	**Total comprehensive income/(loss) for the period**		**(2,171)**	**38,349**
			Net income /(loss) for the period attributable to:			
(4,923)	(5,502)	(728)	Equity holders of the parent		(7,925)	11,338
(2,110)	(1,419)	-	Non-controlling interests		(1,373)	(2,110)
			Total comprehensive income/(loss) for the period attributable to:			
3,990	(5,151)	8,584	Equity holders of the parent		216	34,016
4,333	(1,780)	-	Non-controlling interests		(2,387)	4,333
			Earnings per share (Note 5)			
(0.07)	(0.08)	(-)	(USD) – **Basic and diluted** for income/(loss) for the period attributable to equity holders of the parent		(0.07)	0.27

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2010

Amounts in USD 000	Note	30-Sep 2010	30-Jun 2010	31-Dec 2009
			(Unaudited)	
Non-current assets				
Licenses and exploration assets	6	201,676	190,375	126,300
Production assets and equipment		109,325	102,856	111,300
Property, furniture, fixtures and office equipment		1,487	1,460	2,806
Deferred tax assets		27,188	27,411	22,564
Other non-current financial assets		-	-	308
Other non-current assets		1,531	1,237	1,791
Total Non-current assets		**341,207**	**323,339**	**265,069**
Current assets				
Trade and other receivables		19,720	15,383	14,715
Cash and bank balances	6	30,607	56,347	13,105
Total current assets		**50,327**	**71,730**	**27,820**
Assets classified as held for sale	9	30,000	30,000	-
Total Assets		**421,534**	**425,069**	**292,889**
Equity				
Share capital	15	38,141	38,141	76,692
Other equity		197,880	189,190	(7,625)
Total Equity attributable to equity holders of the parent		**236,021**	**227,331**	**69,067**
Non-controlling interest	10	-	-	30,084
Total Equity		**236,021**	**227,331**	**99,151**
Long-term liabilities				
Long-term interest bearing debt	11	86,966	100,665	-
Deferred tax liabilities		11,733	11,731	-
Liabilities related to warrants	12	-	577	-
Other long-term liabilities		24,538	24,267	20,928
Total long-term liabilities		**123,237**	**137,240**	**20,928**
Short-term liabilities				
Short-term interest bearing debt		34,570	29,817	80,887
Liabilities related to warrants	12	448	-	-
Loan payable to Norse Energy Corporation ASA	13	-	-	57,946
Accounts payable, accruals and other liabilities		27,258	30,681	33,977
Total short-term liabilities		**62,276**	**60,498**	**172,810**
Total Liabilities		**185,513**	**197,738**	**193,738**
Total Equity and Liabilities		**421,534**	**425,069**	**292,889**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

Amounts in USD 000	30-Sep-10	30-Sep-09
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the period before tax	(9,298)	9,228
Adjusted for:		
Depreciation	6,101	5,923
Market adjustments for warrant effects	448	-
Non-cash dry-hole and exploration related costs	524	7,300
Impairment	-	12,500
Gain on sale of property	(251)	-
Net finance costs	(13,781)	13,533
Share based payments	106	-
Other adjustments -including working capital	(23,701)	(66,486)
Net cash flows from operating activities	**(39,852)**	**(18,002)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Exploration, production and other assets	(4,991)	(10,081)
Proceeds from sale of property	1,421	-
Net cash acquired at acquisitions	4,304	-
Net cash flows from investing activities	**734**	**(10,081)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of shares	54,851	30,000
Net interests paid	(11,779)	(4,842)
Financial liabilities raised / (repaid)	13,065	(3,956)
Net cash flows from financing activities	**56,137**	**21,202**
Foreign exchange differences	261	4,219
Change in cash and cash equivalents during the period	17,280	(2,662)
Cash and cash equivalents at the beginning of the period	10,655	7,597
Cash and cash equivalents at the end of the period	**27,935**	**4,935**
Restricted cash	2,672	3,551
Cash and bank balances at the end of the period	**30,607**	**8,486**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For nine months ended September 30, 2010 *Amounts in USD 000*	Issued capital	Share premium	Retained earnings	Currency translation adjustment	Total	Non-controlling interest	Total equity
At January 1, 2010 (unaudited)	76,692	-	(30,005)	22,380	69,067	30,084	99,151
Income / (loss) for the period	-	-	(1,695)	-	(1,695)	46	(1,649)
Other comprehensive income	-	-	-	(1,522)	(1,522)	(653)	(2,175)
Total Comprehensive income	-	-	(1,695)	(1,522)	(3,217)	(607)	(3,824)
At March 31, 2010 (unaudited)	**76,692**	**-**	**(31,700)**	**20,858**	**65,850**	**29,477**	**95,327**
Income / (loss) for the period	-	-	(5,502)	-	(5,502)	(1,419)	(6,921)
Other comprehensive income	-	-	-	351	351	(361)	(10)
Total Comprehensive income	-	-	(5,502)	351	(5,151)	(1,780)	(6,931)
Re-organisation of share capital on de-merger	(76,692)	-	-	-	(76,692)	-	(76,692)
Issue of shares - for de-merger and acquisition of Pan AS	31,372	159,488	(1,373)	(1,014)	188,473	(27,697)	160,776
Issue of shares - for cash (net)	6,769	48,082	-	-	54,851	-	54,851
At June 30, 2010 (unaudited)	**38,141**	**207,570**	**(38,575)**	**20,195**	**227,331**	**-**	**227,331**
Income / (loss) for the period	-	-	(728)	-	(728)	-	(728)
Other comprehensive income	-	-	-	9,312	9,312	-	9,312
Total Comprehensive income	-	-	(728)	9,312	8,584	-	8,584
Share based payments	-	-	106	-	106	-	106
At September 30, 2010	**38,141**	**207,570**	**(39,197)**	**29,507**	**236,021**	**-**	**236,021**

For nine months ended September 30, 2009 *Amounts in USD 000*	Attributable to equity holder of the parent Issued capital	Share premium	Retained earnings	Currency translation adjustment	Total	Non-controlling interest	Total equity
At January 1, 2009 (unaudited)	45,257	-	(40,141)	1,760	6,876	-	6,876
Income / (loss) for the period	-	-	14	-	14	-	14
Other comprehensive income	-	-	-	239	239	-	239
Total Comprehensive income	-	-	14	239	253	-	253
At March 31, 2009 (unaudited)	45,257	-	(40,127)	1,999	7,129	-	7,129
Income / (loss) for the period	-	-	16,247	-	16,247	-	16,247
Other comprehensive income	-	-	-	13,526	13,526	-	13,526
Total comprehensive income for the period	-	-	16,247	13,526	29,773	-	29,773
Dilution of shares to minority	36,649	-	-	-	36,649	31,522	68,171
At June 30, 2009 (unaudited)	**81,906**	**-**	**(23,880)**	**15,525**	**73,551**	**31,522**	**105,073**
Income / (loss) for the period	-	-	(4,923)	-	(4,923)	(2,110)	(7,033)
Other comprehensive income	-	-	-	9,024	9,024	4,333	13,357
Total Comprehensive income	-	-	(4,923)	9,024	4,101	2,223	6,324
At September 30, 2009	**81,906**	**-**	**(28,803)**	**24,549**	**77,652**	**33,745**	**111,397**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Notes to the condensed interim consolidated financial statements

1. Corporate information

The holding company, Panoro Energy ASA ("the Company" - formerly known as New Brazil Holdings ASA), was incorporated on April 28, 2009 as a public limited company under the Norwegian Public Limited Companies Act of June 19, 1997 No. 45. The registered organisation number of the Company is 994 051 067 and its registered office is Dronning Maudsgt. 1-3, 0124 Oslo, Norway.

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in Brazil and Western Africa. The condensed interim consolidated financial statements of the Group for the nine months ended September 30, 2010 were authorised for issue by the Board of Directors on November 25, 2010.

The Company's shares are traded on the Oslo Stock Exchange under the ticker symbol PEN.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU. The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial information contained in the Company's prospectuses published on June 7, 2010 and September 16, 2010 and in conjunction with the information contained in the Company's 2010 Second Quarter report. Copy of the prospectuses and the 2010 Second Quarter report is available on the Company's website at http://www.panoroenergy.com.

The condensed interim consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars (USD 000) except when otherwise stated.

2.1 Comparative information

Panoro Energy ASA was formed as a legal mechanism to effect a business combination between two existing entities, Norse Energy do Brasil (NEdB) and Pan Petrol Holdings (Cyprus) Limited (PPHCL), and, in its own right, had no commercial substance. The acquisitions of PPHCL and NEdB were both settled by issuance of ordinary shares in Panoro Energy ASA in exchange for voting shares in PPHCL and NEdB.

On June 7, 2010, the Company completed the de-merger from Norse Energy Corporation ASA ("NEC") whereby voting shares in a portfolio of the Brazilian assets (NEdB) was split from the NEC group and acquired by the Company. Ordinary shareholders in NEC at the time of de-merger were issued one share in the Company for every ten ordinary shares held in NEC.

For the purpose of these financial statements the transaction for completion of de-merger has been considered under the guidance of paragraph B19 to IFRS 3 (Revised) and hence has been accounted for under the pooling of interests method which involves presenting companies as if they had always been combined with no fair value adjustments.

The pooling of interests method requires presentation of NEdB and Panoro as a combined business since inception and therefore the comparative information represents the NEdB historical financial statements pooled with Panoro. Having incorporated in 2009, Panoro had no operations up to December 31 2009 and as such no results of the Company are reflected in the comparative information.

2.2 Significant accounting policies

The accounting policies adopted in preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's 2010 Second Quarter report.

3. Segment information

The Group operated predominantly in two business segments being the exploration and production of oil and gas, which is split by geographic areas for management purposes and the two regions being West Africa and Brazil.

The Group's reportable segments, for both management and financial reporting purposes, are as follows:

- The West African segment holds the following assets:
  - The Dussafu licence representing the Group's 33.3% working interest in the Dussafu Marin exploration licence in Gabon.
  - The JDZ 3 licence representing the Group's 10% working interest in the JDZ 3 exploration licence in Nigeria.

- The OML113 – Aje represents the Group's 12.5% profit interest in the OML113-Aje exploration licence in Nigeria.
- The MKB Congo permit holds the Groups 20% working interest in MKB exploration licence in Republic of Congo.

- The Brazilian segment holds the following assets:
  - The BCAM-40 prospect holds the Group's 10% interest in Manati which is a producing field in Brazil. This also includes 10% interest in Camarao Norte field which is at a development stage.
  - The BS-3 Project holds Group's interest in a portfolio of offshore licences in Santos basin, Brazil comprising 50% interest in Cavalo Marinho, 65% interest in Estrela-do-Mar and 35% in Coral field which is being considered for redevelopment.
  - The Sardinha licence area holds the Group's 20% interest in the Sardinha field located in Camamu-Almada basin in Brazil. This field is being considered for development.
  - Round 9 blocks represents Group's 50% interest in blocks S-M-1100, S-M-1035 and S-M-1036 acquired in 2007. These blocks are in close proximity to the Coral field. A Company owned subsidiary operates these blocks.
- The 'Other' category consists of head office and service company operations that are not directly attributable to the other segments.
- Interest in licence OML 90 – Ajapa has been classified as an asset held for sale and therefore not considered as an operating segment.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on capital expenditure and production levels.

Details of group segments are reported below.

Q3 2009	Q2 2010	Q3 2010		YTD Q3 2010	2009 *
			OPERATING SEGMENTS - PRODUCTION FIGURES		
			Group production BOE/day		
3,296	3,360	3,992	Manati - net of our interest	3,628	2,962
-	-	-	Coral - net of our interest	-	40
3,296	3,360	3,992	**Group total BOE/day**	3,628	3,002
			Production		
			Natural gas production (MMBtu)		
1,723,360	1,739,814	2,087,897	Manati - net of our interest	5,639,717	4,565,679
-	-	-	Coral - net of our interest	-	-
			Oil production (BOE)		
-	-	-	Manati - net of our interest	-	-
-	-	-	Coral - net of our interest	-	7,228
			Price per unit		
			Estimated gas price (USD/MMBtu before royalties and taxes)		
7.47	7.73	7.92	Manati	7.79	6.85
-	-	-	Coral	-	-
			Oil price (USD/Bbl - before royalties and taxes)		
-	-	-	Manati	-	-
-	-	-	Coral	-	41.23

Q3 2009	Q2 2010	Q3 2010		YTD Q3 2010	2009 *
			OPERATING SEGMENTS - BRAZIL		
			in USD 000		
			Manati & Brazil Licences		
19	-	-	Sales - Oil	-	298
9,540	9,695	11,734	Sales - Gas	31,665	23,264
-	-	-	Other revenue	251	-
82	1,991	9,273	EBITDA	19,455	1,273
1,532	1,957	2,268	Depreciation	6,027	4,702
12,500	-	-	Impairment of E&E assets	-	12,500
295,300	283,184	-	Segment assets	296,277	295,300
			OPERATING SEGMENTS - WEST AFRICA		
			in USD 000		
			West Africa Assets		
-	-	(696)	EBITDA	(696)	-
-	-	-	Depreciation	-	-
-	-	-	Impairment of E&E assets	-	-
-	67,496	-	Segment assets	67,496	-
-	-	3,403	Additions to property, plant and equipment and intangible assets	3,403	-
			CORPORATE & OTHERS		
			in USD 000		
-	(5,590)	(1,564)	EBITDA	(8,937)	-
-	9	56	Depreciation	74	-
-	-	-	Impairment of E&E assets	-	-
-	46,846	-	Segment assets	24,358	-
-	30,000	-	Assets held-for sale	30,000	-
			CONSOLIDATED		
19	-	-	Sales - Oil - Total	-	298
9,540	9,695	11,734	Sales - Gas - Total	31,665	23,264
-	-	-	Other revenue - Total	251	-
82	(3,592)	7,013	EBITDA	9,822	1,273
1,532	1,966	2,324	Depreciation and amortisation	6,101	4,702
12,500	-	-	Impairment of E&E assets	-	12,500
-	283,184	-	Segment assets	391,534	295,300
-	30,000	-	Assets held-for sale	30,000	-

*The segment assets represent as of December 31, 2009 and the statement of comprehensive income items represent year to date results for September 30, 2009.

There are no differences in the nature of measurement methods used on segment level compared with the interim condensed consolidated financial statements.

There are no inter-segment adjustments and eliminations for the periods presented.

4. Income tax

The major components of income tax in the interim consolidated statement of comprehensive income are:

Q3 2009	Q2 2010	Q3 2010		YTD Q3 2010	YTD Q3 2009
USD 000 – (Unaudited)				*USD 000 – (Unaudited)*	
			Income Taxes		
154	(336)	(175)	Current income tax	(1,116)	943
3,796	2,344	(2,696)	Deferred income tax	630	3,068
3,950	2,008	(2,871)	Total tax benefit / (charge) for the period	(486)	4,011

On de-merger from Norse Energy Corporation in June 2010, attributable tax loss of NOK 351 million equivalent to approximately USD 59 million was assigned to the Company. The loss will be available indefinitely to offset future taxable income of the Company.

5. Earnings per share

The Group had no potential dilutive ordinary shares as of the periods reported in these interim condensed consolidated financial statements.

Q3 2009	Q2 2010	Q3 2010		YTD Q3 2010	YTD Q3 2009
	(Unaudited)		*Amounts in USD 000, unless otherwise stated*	*(Unaudited)*	
(4,923)	(5,502)	(727)	Net profit / (loss) attributable to equity holders of the parent	(9,297)	11,338
66,879	67,909	163,947	Weighted average number of shares outstanding - in thousands	136,531	41,862
(0.07)	(0.08)	(-)	Basic and diluted earnings per share (USD)	(0.07)	0.27

The weighted number ordinary shares for all the periods presented above have been adjusted by the exchange ratio at the de-merger date between NEdB outstanding shares and the attributable share capital of the Company.

Diluted earnings per share

When calculating the diluted earnings per share, the weighted average number of shares outstanding is normally adjusted for all dilutive effects relating to the Group's warrants. As of December 31, 2009, no warrants were outstanding for the Group. The 7.5 million warrants issued on June 15, 2010 were outstanding as of June 30, 2010 and September 30, 2010.

The warrants are not considered to have a dilutive effect as they were out-of-the money compared to the average share price since listing of the Company on June 8, 2010 to the end of the quarter. Further, since the Group incurred a net loss for the current quarter and YTD Q3 2010, the warrants have an anti-dilutive effect and therefore, not considered when calculating diluted earnings per share.

6. License interests, exploration and evaluation assets and production assets

	Licence interest, Exploration and Evaluation assets	Production assets
	(Unaudited)	*(Unaudited)*
	USD 000	***USD 000***
Net book value		
At 31 December, 2009	126,300	111,300
Additions	927	-
Acquisition	67,491	-
Exploration costs expensed	-	-
Depreciation	-	(3,759)
Currency translation adjustments and other changes	(4,343)	(4,685)
At June 30, 2010	190,375	102,856
Additions	3,623	414
Exploration costs expensed	-	-
Depreciation	-	(2,268)
Currency translation adjustments and other changes	7,678	8,323
At September 30, 2010	201,676	109,325

7. Cash and cash equivalents

	Q3 2010	Q3 2009
	(Unaudited)	*(Unaudited)*
	USD 000	***USD 000***
Cash at bank and in hand	30,607	8,486
Less: Restricted cash	(2,672)	(3,551)
Cash and cash equivalents at the end of the period	27,935	4,935

8. Exploration and related costs

Q3 2009	Q2 2010	Q3 2010		YTD Q3 2010	YTD Q3 2009
USD 000 – (Unaudited)				*USD 000 – (Unaudited)*	
			Exploration costs expensed		
-	-		Dry well costs	-	7,300
6,810	4,659	96	Other exploration costs expensed	4,836	6,865
6,810	4,659	96	***Total exploration costs charged to statement of comprehensive income***	4,836	14,165
-	-	-	Exploration costs capitalised during the period	-	-
6,810	4,659	96	**Total exploration expenditure during the period**	4,836	14,165

9. Assets held for sale

During the period, a Group's subsidiary has entered into an agreement with Brittania-U Nigeria Limited to sell its license interest of 40% in OML 90- Ajapa for a consideration of USD 30 million. The sale was subject to certain regulatory approvals which was not complete as of the date of the statement of financial position.

10. Non-controlling interests

The non-controlling interests represent 30% shareholding of NEdB controlled by Sector in the periods prior to the de-merger.

11. Financial liabilities

11.1 Interest bearing debt

	Note	Sept 30, 2010	Sept 30, 2010	June 30, 2010	June 30, 2010	31 Dec 2009	31 Dec 2009
		(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
		USD 000	*USD 000*	*USD 000*	*USD 000*	*USD 000*	*USD 000*
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Norway							
NOK denominated loans	11.2	21,144	19,993	6,615	36,131	-	-
Brazil							
USD denominated loans		-	-	-	-	21,138	-
BRL denominated loans	11.3	13,426	66,973	12,959	64,534	59,749	-
Cyprus							
USD denominated loans		-	-	10,243	-	-	-
Total		34,570	86,966	29,817	100,665	80,887	-

Summary of loans

	Note	Amount due *(USD million)*	Expiry
Norway			
NEC-01 bond	11.2	41.1	2 years
Brazil			
Treasury loan	11.3	35.3	4 years
BNDES I loan	11.3	23.7	3 years
BNDES II loan	11.3	21.4	8 years
Total		121.5	

11.2 Upon the de-merger from NEC, the Company assumed obligations as borrower for the NOK 286.5 million NEC01 bond loan under restructured terms. An aggregate principal amount of NOK 43 million plus accrued and unpaid interest thereon was paid in July 2010. A principal amount of NOK 122 million of the loan matures on July 13, 2011, together with any accrued and unpaid interest thereon; while the remaining loan shall mature and be due and payable on July 13, 2012, together with any accrued and unpaid interest thereon payable every quarter. The loan carries a fixed interest rate of 13.5% from July 13, 2010 onwards.

The bonds are listed on Oslo Stock Exchange (OSE) under the ticker "NEC01". The main covenants of the bond loan after de-merger are as follows:

- The parent Company must maintain at all times the book equity of USD 14 million after March 31, 2011.
- After March 31, 2011, the total equity in the Company shall constitute at least 30% of capital employed. "Capital employed" is defined as the Company's total equity plus interest bearing debt, including financial instruments that have the commercial effect of borrowing, including guarantees and leasing commitments.
- The Company shall not make or declare any distributions and procure that NEdB does not make or declare any distributions to any shareholders other than the Company until the Outstanding Intercompany amount due is zero.
- The Company shall not provide guarantees or other credit support to, or make investments in, any person or entity outside the Group, other than when backed by additional equity as prescribed in the loan agreement.

For the complete list of covenants the Company is subject to, please refer to investor section of Panoro Energy ASA's website on www.panoroenergy.com.

11.3 A debt restructuring agreement has become effective in Q2 2010 for loans in Brazil. Under the renegotiated terms, the BNDES II disbursement has replaced the current bridge loan and the refinancing agreement with the local banks include a new treasury fund loan that has replaced the current loans in Coplex and NEdB as well as the project finance loans in Rio das Contas. All loans have been converted into Reais (BRL) and transferred to Rio das Contas, pledged against Manati cash flow and the shares in Rio das Contas. Under the restructured position, all of the three loan agreements reside in Rio das Contas. Coplex and NEdB have no local bank debt after this transaction. The BNDES I loan is continuing without changes and subject to interest of TJLP plus 6.8%. The BNDES II credit facility is divided into four tranches which have one year grace period, are then amortised over 96 months and carry an interest rate of TJLP plus a 5.8%.

The treasury fund loan has a one year grace period and is then amortised over 48 months and carry an interest of CDI (interbank rate as of September 30, 2010 at 10.61%) plus 7.5%. The treasury fund loan includes a cash sweep clause that any surplus cash in Rio das Contas will be used to amortise this loan. The cash sweep clause ceases after the treasury fund loan is repaid.

The main covenants for the Brazilian loans are as follows:

- Maintain an Equity Ratio above 30:70. (Total Equity over Third Party Funds (short term +long term liabilities).
- Maintain the Debt Service Coverage Ratio (DCSR) higher than 1.30. DSCR = (EBITDA - Income tax payment) / (Principal + Interest amortisation).
- Restriction of distributing any funds from the Rio das Contas to the shareholders until repayment of the loans.
- The cash currently generated in Brazilian operations all originate in Rio Das Contas. The loan agreement for the Brazil bank debt restricts the Brazil group from applying such cash flows to serve other financial debt in the Group.

12. Liability related to warrants

As part of the de-merger from NEC, 7.5 million warrants were issued by the Company on June 15, 2010. One warrant gives conversion right to one share in the Company during the exercise period which is valid up to July 1, 2011. The warrants are listed on OSE as "PEN-J" and are exerciseable at NOK 15.71.

13. Loan payable to Norse Energy Corporation ASA in the prior period presented

This balance for December 31, 2009 represented intercompany loan payable to the previous parent company Norse Energy Corporation ASA. Subsequent to the de-merger, the beneficial lender has been converted to Panoro Energy ASA and therefore eliminates on consolidation as of June 30, 2010 and September 30, 2010. The loan carries a fixed interest rate of 10% per annum and was repayable by June 30, 2010.

14. Share capital

	Date	Number of shares *(Unaudited)*	Share Capital *(Unaudited)* *USD 000*
Shares issued during the period on account of:			
- De-merger from NEC	7 June 2010	46,815,456	11,437
- Merger with Pan AS	29 June 2010	86,942,990	19,935
Shares issued and subscribed for cash:			
- Capital increase (pre-merger)	7 June 2010	15,282,872	3,418
- Capital increase (post-merger)	29 June 2010	14,905,763	3,351
As at September 30, 2010		163,947,081	38,141

All issued shares have a par value of NOK 1.46 and are of equal rights. The Company is incorporated in Norway and the share capital is denominated in NOK. In the table above, the issued capital is translated to USD at the foreign exchange rate in effect at the time of each share issue.

The Group has issued 7.5 million warrants in connection with the de-merger from NEC. The warrants give the right to new ordinary shares at NOK 15.71 per share as detailed in note 12.

15. Related party transactions

The following table provides the total amount of balance and transactions which have been outstanding and entered into with related parties. Balances reported are as of September 30, 2010 and December 31, 2009. Transactions reported in this note have been entered into with related parties during the nine months ended September 30, 2010 and September 30, 2009.

	Note	Year	Amounts owed by related parties *USD 000* (Unaudited)	Amounts owed to related parties *USD 000* (Unaudited)	Interest received / (paid) *USD 000* (Unaudited)	Management fee charged *USD 000* (Unaudited)
Previous controlling entity (NEC)						
• Interest bearing sub-ordinated loan (including interest payable)	13	2009	-	57,946	-	-
• Management fee		**2010**	**-**	**-**	**-**	**346**
• Management fee		2009	-	-	-	270
Loans and advances to key management personnel of the Group						
Interest bearing loan to Chief Executive Officer	15.1	**2010**	**1,180**	**-**	**26**	**-**
		2009	1,149	-	26	-

There were no sales and purchase between related parties during the reported periods which require disclosures.

15.1 The loan to Chief Executive Office was advanced as per his terms of employment with NEdB in 2008 and carries an interest of 3% per annum. The loan is repayable in full in 2013 and the monthly accumulated interest is paid through salary deductions.

15.2 With effect from July 2010, as part of the temporary relocation arrangement for the Company's Chief Executive to London, the Company has entered into a contract to lease a residential property up to July 2012. Commitments in respect of this contract are disclosed in note 16.

16. Contingencies and commitments

Contingencies

The Company's subsidiary entered into a Sale and Purchase Agreement in January 2010 with Prevail Energy Holdings Limited to acquire licences and assets in Congo relating to MKB.

As part of the agreed transaction, the Group will pay a contingent consideration in the form of Panoro shares conditioned upon certain success triggers being achieved by the Group in the MKB permit. These triggers are related to geological and operational events that will significantly increase the value of the licence if attained.

As per the agreement and subject to the occurrence of the triggers specified therein, a maximum of 4,362,791 shares may be issued to certain stakeholders of Prevail Energy Holdings Limited. An estimated fair value of the consideration payable has been determined at USD 3.3 million and has been recognised in the September 30, 2010 interim financial statements as a liability. This estimate has been determined using valuation techniques and reasonable probability assumptions as of the reporting date and may change in future should any new operational information become available to the Group.

Commitments

Commitments in respect of operating leases were due in the following periods as of September 30, 2010:

	Within 1 year	1 to 5 years	More than 5 years
	USD 000	*USD 000*	*USD 000*
	(Unaudited)	(Unaudited)	(Unaudited)
Office property lease rentals	1,018	3,003	798
CEO's residential property lease rentals	103	79	-
Others	4	-	-
Total	1,125	3,082	798

17. Events after the reporting period

i. In October 2010, the Company appointed Stellar Energy Advisors to commence farm-out process on offshore Brazilian blocks SM-1035, SM-1036 and SM-1100.

ii. In October 2010, the Company announced that the new field development plans for BS-3 area will be filed with the Brazilian National Petroleum Agency (ANP) by 13 January 2011. Panoro has two assets in the licence area which will form part of the development plan with 65% working interest in Estrela do Mar and 65% working interest in Cavalo Marinho. The BS-3 development plan may also include the Coral field in which the Company holds 35% working interest.

iii. In November 2010, the Company completed successful placement of a bond instrument of USD 140 million to refinance the existing bank debts and bonds in the Group. Proceeds of the bond will be applied to repayment of Group debts of approximately USD 125 million and the remaining funds will be used for general corporate purposes.

The New Bond is split in two tranches, one USD tranche of USD 105 million and one NOK tranche of NOK 205 million, in total equalling USD 140 million. The New Bond will have a tenor of eight years with annual instalments of USD 14 million from November 2012 until November 2017. The remaining USD 56 million matures in November 2018.

The USD tranche carries a coupon rate of 12% while the NOK tranche carries a coupon rate of 13,5%. The New Bond will inter alia have share pledges in the Company's Brazilian subsidiaries, including the subsidiary that holds a 10% share in the BCAM-40 license which includes the Manati field.

In a meeting in Q4 2010, the bond holders approved the early redemption of the existing NEC01 (NO 001027594.4) bond loan at a call price of 104.0 plus accrued interest.

iv. In November 2010, the Company completed the sale of its 40% working interest in Ajapa marginal field OML 90, offshore Nigeria.

Other information

Financial calendar

February 18, 2011	Fourth Quarter 2010 Results

Glossary and definitions

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bcf	Billion cubic feet
Bm^3	Billion cubic meter
BOE	Barrel of oil equivalent
Btu	British Thermal Units, the energy content needed to heat one pint of water by one degree Fahrenheit
IP	Initial production
Mcf	Thousand cubic feet
MMcf	Million cubic feet
MMBOE	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm^3	Million cubic meters
Tcf	Trillion cubic feet

Disclaimer

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