

Panoro Energy ASA signs farm-out agreement for blocks SM-1035, SM-1036 and SM-1100 in the Santos Basin offshore Brazil

Panoro Energy ASA ("PEN", OSE ticker code), the independent oil and gas company with assets in West Africa and Brazil, is pleased to announce that the Company has reached agreement to farm out 35% of Panoro's 50% interest in its three shallow water exploration licenses SM-1035, SM-1036 and SM-1100 in the Santos Basin offshore Brazil. Panoro's partner in the blocks (Brasol with 50 % interest) is also farming out under identical terms. In line with Brazilian petroleum legislation, the transaction is subject to approval from the National Petroleum Agency ("ANP").

After this transaction, Panoro Energy ASA will, through its Brazilian subsidiary, retain a 15% working interest in the licenses. The buyer, Vanco Brasil Exploração e Produção de Petróleo e Gas Natural Ltda, a wholly owned Subsidiary of Vanco Overseas Energy Ltd ("Vanco", see <http://www.vancoexploration.com> for more information), will assume Operatorship and hold a 70% working interest in the three licenses. Upon completion, Brasol's interest will also be reduced to 15%.

Upon ANP approval, Panoro Energy will receive net proceeds of approximately USD 15 million, covering Panoro's historical costs on the licenses. Vanco will finance Panoro's share of drilling costs for three exploration wells, one on each license. Furthermore, Vanco will be entitled to recover the financed portion of successful wells and half the financed portion of unsuccessful wells from Panoro's share of future production from discoveries made on the licenses.

The transaction includes an option for Panoro Energy to increase working interest in the licenses to 20%, prior to commencement of drilling the first exploration well. In that event, Panoro will have to fund 5% of the past costs, work program costs and future drilling costs of the wells.

"We are very pleased to attract Vanco as an Operator with considerable experience and financial strength. Our new partner shares Panoro's view of the Santos Basin as an exciting exploration region, and we are now ready to enter the second exploration period for the licenses and commit to drilling three exploration wells. We have retained significant exposure to high impact exploration, whilst simultaneously strengthening our balance sheet and limiting our future financial commitments", comments CEO Kjetil Solbrække.

Panoro Energy estimates these licenses hold gross unrisks volumes of 880 MMBOE (best estimate) with an upside case of 1,100 MMBOE.

Stellar Energy Advisors acted as advisors for the farm-out process.

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