

First quarter report 2014

May 15, 2014

Panoro Energy

ΠΑΝΟΡΟ ΕΝΕΡΓΙΑ

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Highlights

First quarter 2014 and subsequent events



- EBITDA of USD -2.2 million, down from USD 14.4 million in the previous quarter
- Completed closing of sales transaction of Rio das Contas
- Repayment of bonds:
 - Leaving the Company debt free with USD 66 million in cash
- Approval of Field Development Plan for Aje
- Completion of 3D seismic survey over the OML 113 license
- Discussions underway with Government of Gabon for a Declaration of Commerciality and an Exclusive Exploitation Area for Dussafu
- BS-3, Brazil: Relinquishment
- Corporate sales process ongoing

Financial review

Financial and accounting highlights

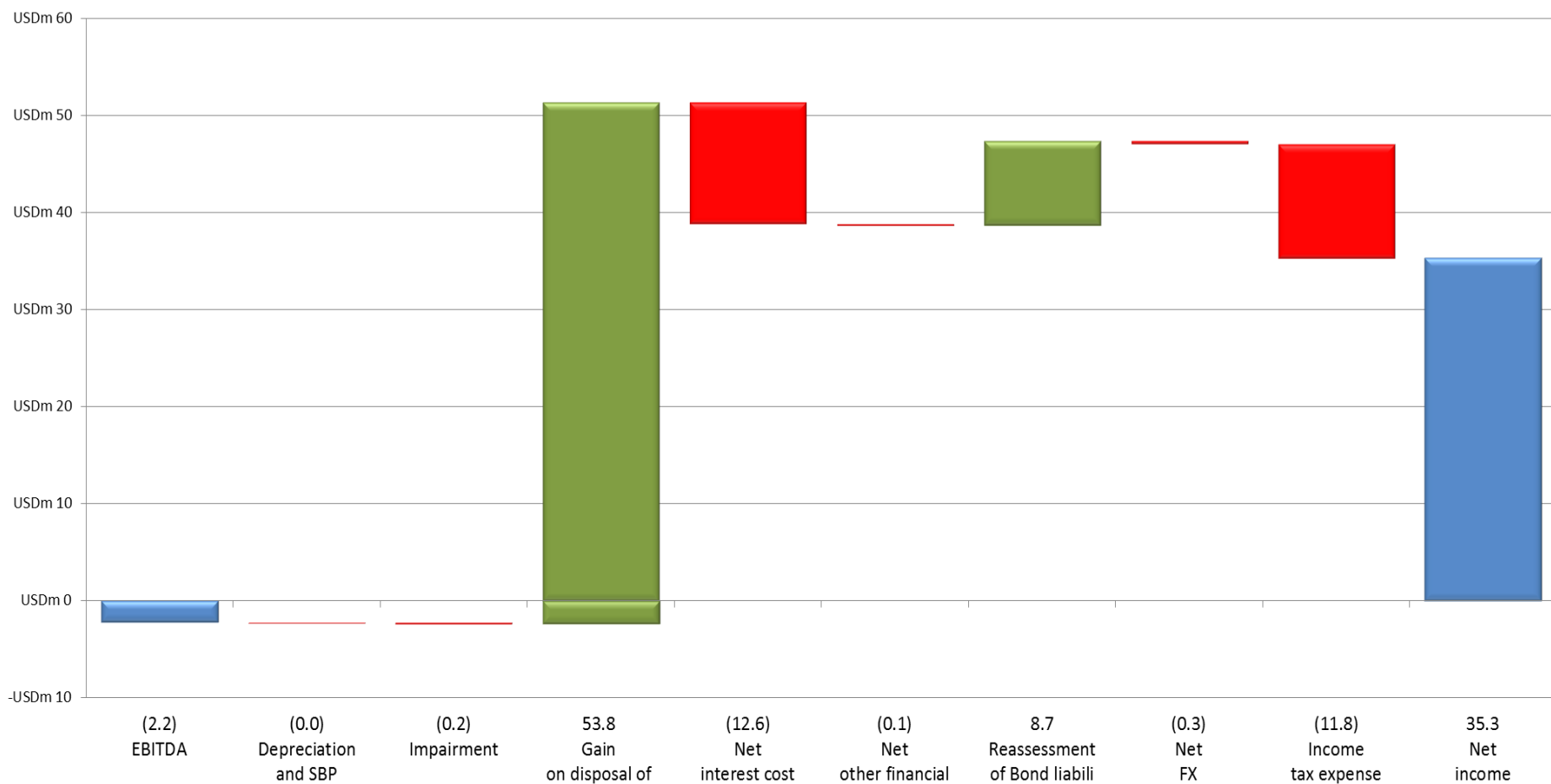
Q1-2014 and subsequent events

- Sales transaction of Rio das Contas (Manati) completed in Q1
- EBITDA of USD -2.2 million in Q1-14, down from USD 14.4 million in Q4-13
 - No oil & gas revenues and production costs Manati booked in the quarter
 - Gain on sale of subsidiary
- EBIT of USD 51.4 million, up from -32.0 million in Q4-13
- Cash position net of debt of USD 66 million at end of Q1-14

Profit & Loss statement (USD '000)

Condensed consolidated statement of comprehensive income	Q4-2013	Q1-2014
Oil and gas revenue	10,642	-
Other income	10,500	-
Total revenues	21,142	-
Production costs	(2,876)	-
Exploration related costs	(482)	(437)
Strategic review costs	(867)	(23)
General and administrative costs	(2,560)	(1,735)
EBITDA	14,357	(2,195)

Profit & Loss items Q1-2014



Group balance sheet

Per Mar 31, 2014

Balance sheet (USD '000)	Dec 31, 2013	Mar 31, 2014
Licenses and production assets	94,755	95,874
Other non-current assets	12,088	175
Total non-current assets	106,843	96,049
Trade and other receivables	969	924
Cash and bank balances	56,756	189,729
Total current assets	57,725	190,653
Assets classified as held for sale	96,856	-
Total assets	261,424	286,702
Equity	118,448	157,091
Non-current interest-bearing debt	0	0
Other non current liabilities/Deferred tax liabilities	4,376	4,376
Total non-current liabilities	4,376	4,376
Current interest-bearing debt	118,912	123,394
Accounts payable, accruals, other liabilities	5,268	1,841
Total current liabilities	124,181	125,235
Liabilities classified as held for sale	14,420	-
Total liabilities	142,977	129,611
Total equity and liabilities	261,424	286,702

Operational Review

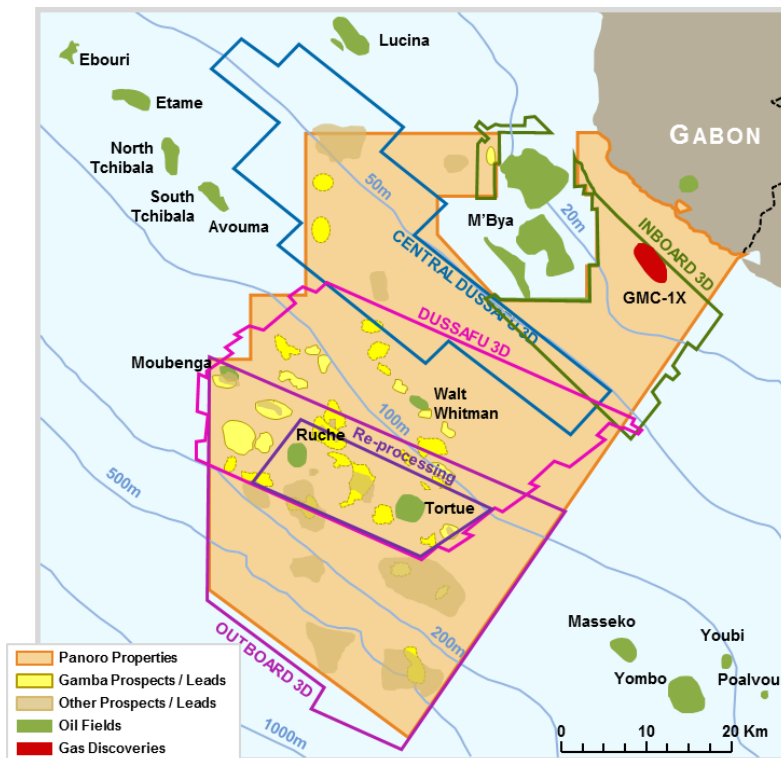
Dussafu

Large exploration license with multiple discoveries and prospects

Dussafu (Gabon)		Exploration portfolio
Operator	Harvest Natural Resources (66.67%)	
Working Interest	33.33%	
Other Partners	Back-in right of 10% held by joint venture of Tullow	
Current stage	Exploration	

Project Status

- 2,775km² license in Southern Gabon pre-salt fairway
- Total of five pre-salt discoveries (4 oil, 1 gas) with upside/appraisal potential
- Panoro's oil discoveries in Ruche (2011) and Tortue (2013) have demonstrated the success in identifying oil-bearing structures
- Gaffney Cline reports received demonstrates commerciality of the discoveries with Economic Gross 2C Resources of 33.4MMbbl
- Discussions have now commenced with Government of Gabon for Declaration of Commerciality and Exclusive Exploitation area
- Reprocessed data over 335km² covering Ruche and Tortue demonstrates improved imaging and greater confidence in fields
- Outboard 3D processing continuing



Gaffney Cline Report Summary

- Final GCA report received on March 21st 2014
- The cash flows presented in the GCA report supports commerciality of the discoveries
- Gaffney Clines volumes were 36.3MMbbl 2C technically recoverable volumes and 33.4MMbbl 2C commercially recoverable volumes using an economic cut-off.

TABLE 0.1

DUSSAFU MARIN LICENCE, GABON
CONTINGENT RESOURCES AND POTENTIALLY RECOVERABLE VOLUMES
AS AT 31st DECEMBER, 2013

Field	Gross Contingent Resources (MMBbl)			Potentially Recoverable Volumes Post ELT (MMBbl)			Net Entitlement Potentially Recoverable Volumes Post-ELT (MMBbl)		
	1C	2C	3C	1C	2C	3C	1C	2C	3C
TOTAL	17.0	36.3	70.6	13.2	33.4	70.3	9.6	20.5	37.6
Tortue Gamba	1.9	7.0	16.52	NA	NA	NA	NA	NA	NA
Tortue Dentale	4.6	12.05	27.7	NA	NA	NA	NA	NA	NA
Ruche	5.8	9.9	14.7	NA	NA	NA	NA	NA	NA
Walt Whitman	3.1	4.3	5.6	NA	NA	NA	NA	NA	NA
Moubenga	1.8	3.05	6.3	NA	NA	NA	NA	NA	NA

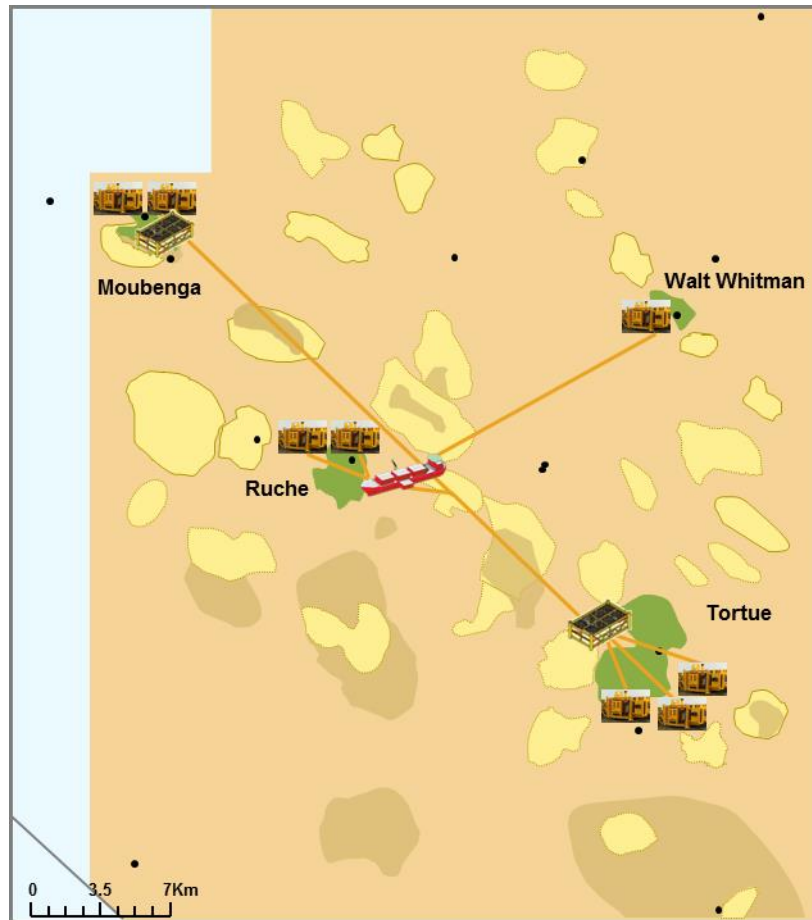
Contractor Cash flows (undiscounted at \$108/bbl)

- 1C = \$195MM (\$65 MM net)
- 2C = \$867MM (\$289 MM net)
- 3C = \$2361MM (\$787 MM net)

Inferred NPV 10 of cash flows including a 1yr start-up delay

- 1C = \$179MM (\$59 MM net)
- 2C = \$583MM (\$194 MM net)
- 3C = \$1293 MM (\$431 MM net)

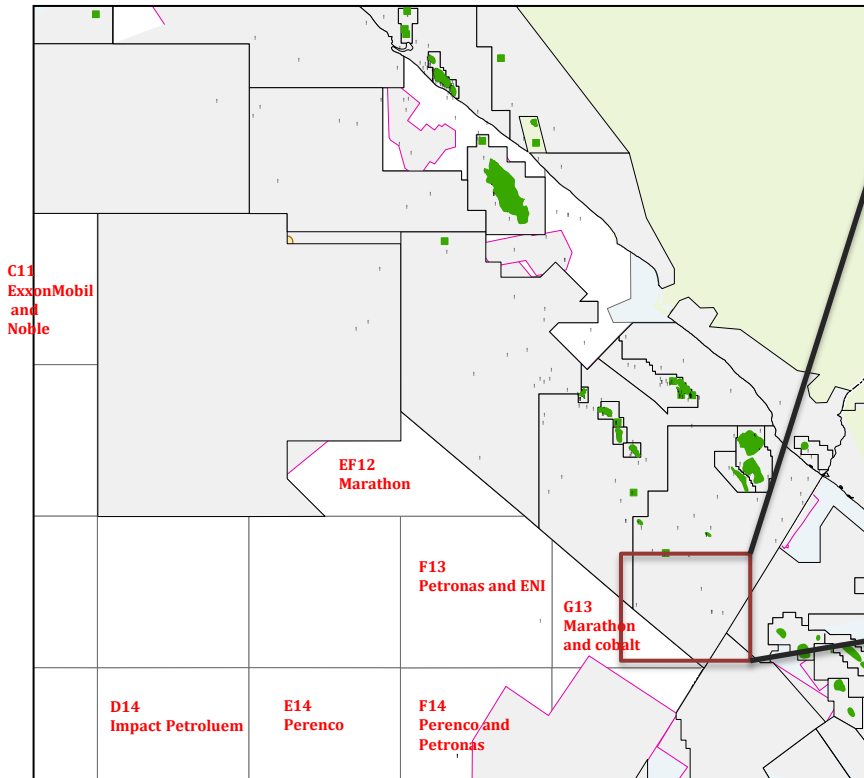
Dussafu – Progress of Field Development Activities



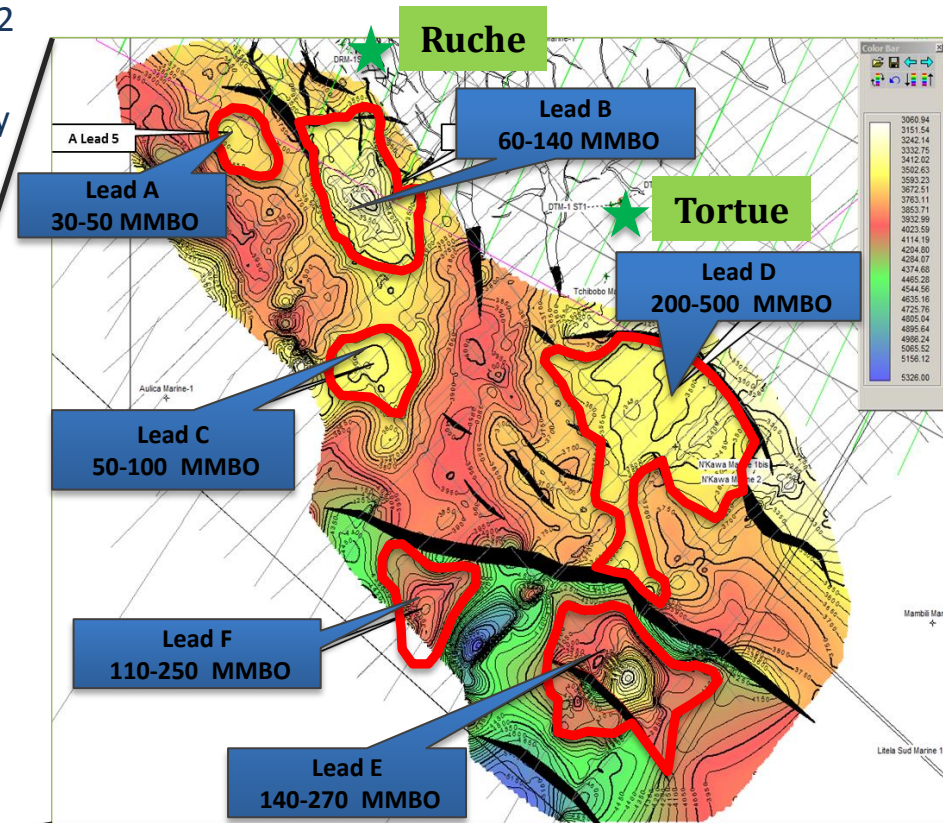
- Declaration of Commerciality (DoC)
 - Process underway for issuance of DoC
- Once DoC is made the JV has two months to apply for Exclusive Exploitation Authorization (EEA) - defines the area for exploitation
- Three months after EEA is granted the JV must submit a detailed development and production program
- The production must start within 4 years of the grant of the EEA

Material Dussafu Exploration potential

- 1,130km² outboard 3-D acquired in Q4 2013
 - Key to de-risking substantial outboard leads
 - Processing underway with preliminary seismic products expected in Q2, final products expected in H2
- Gabonese License round has attracted interest from the majors, demonstrating the attractiveness of this pre-salt play

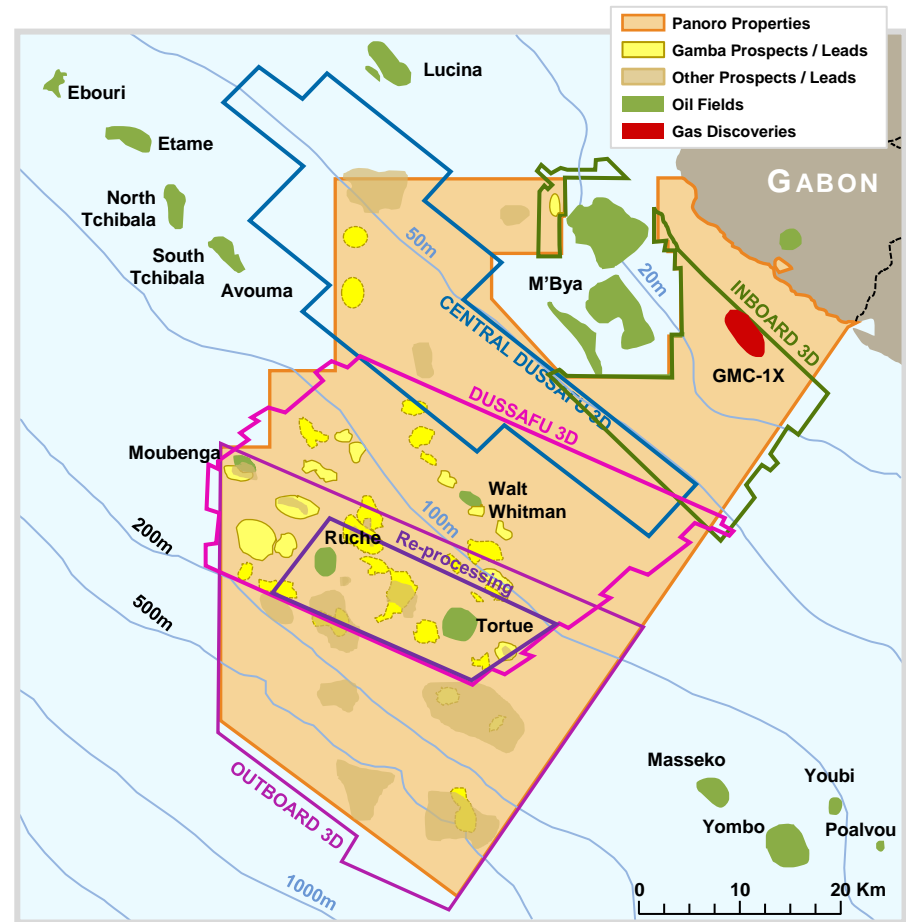


**Dussafu Outboard Leads
Based on 2D seismic**



Outboard 3D seismic

- 3D is targeting unrisked prospective resources of around 1 billion bbl (gross) as well as overshooting Ruche and Tortue
- Initial processing results look promising
- Significantly improved images over Ruche and Tortue – providing more confidence in the established resources
- Evidence of larger fold related structures in outboard compared to smaller shale-diapir induced structures in inboard region (such as Ruche and Tortue)
- Final Pre Stack Time Migration (PSTM) to be delivered by end of Q2
- Final Pre Stack Depth Migration (PSDM) to be delivered by end of Q3 – will be the final database for New Prospect Inventory

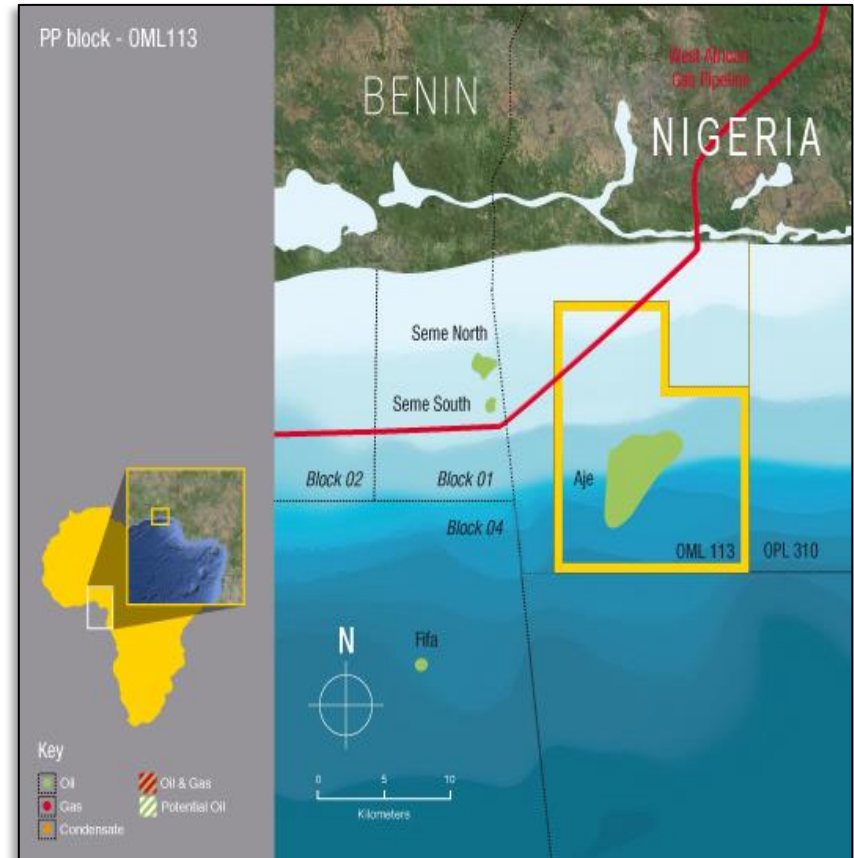


Aje

Near term development with exploration upsides

Project Status

- Partners are focused on 2015 oil production
- Early 2 well oil project, agreed by all license partners
 - FDP approval received end March
 - Ongoing discussions with FPSO providers, subsea flowline manufacturers and other key equipment providers
 - Rig being considered for Q1 2015 drilling
 - Cenomanian first oil expected in Q4 2015
- Gas condensate project will follow in next phase
- OML113 3D seismic acquisition by Afren in conjunction with OPL310 has been completed

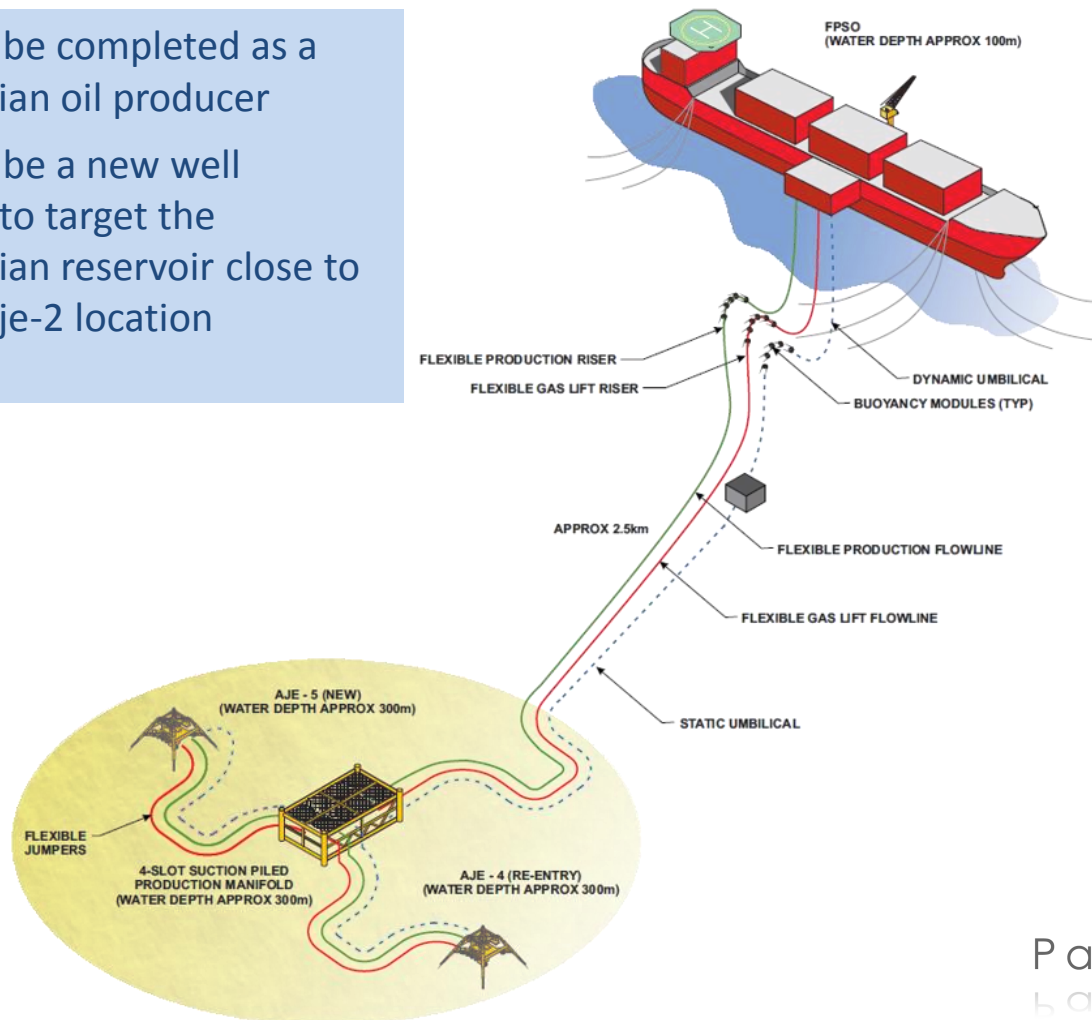


*Panoro : 16.255% paying interest, 6.502% working interest.
Panoro is entitled to 12.2% of the revenue stream from Aje field
Operator: Yinka Folawiyo Petroleum
Other partners: NewAge, FHN (Afren), EER, Jacka Resources*

Aje Cenomanian Oilfield Development Concept

Aje Field Appraisal and Development Scheme

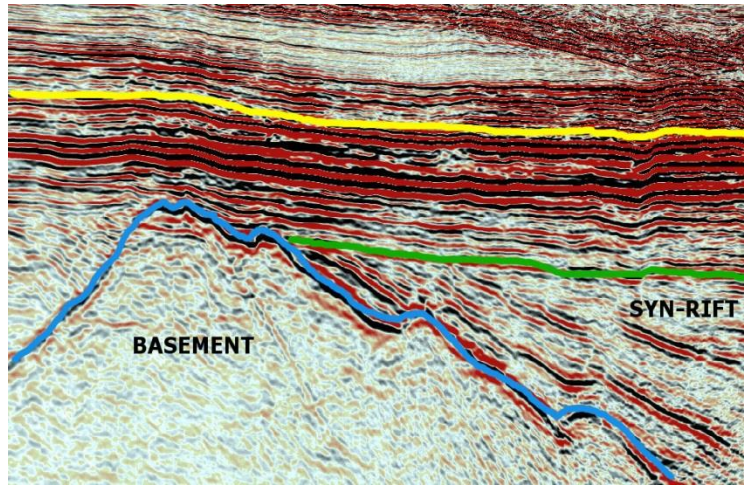
- Aje-4 will be completed as a Cenomanian oil producer
- Aje-5 will be a new well designed to target the Cenomanian reservoir close to existing Aje-2 location



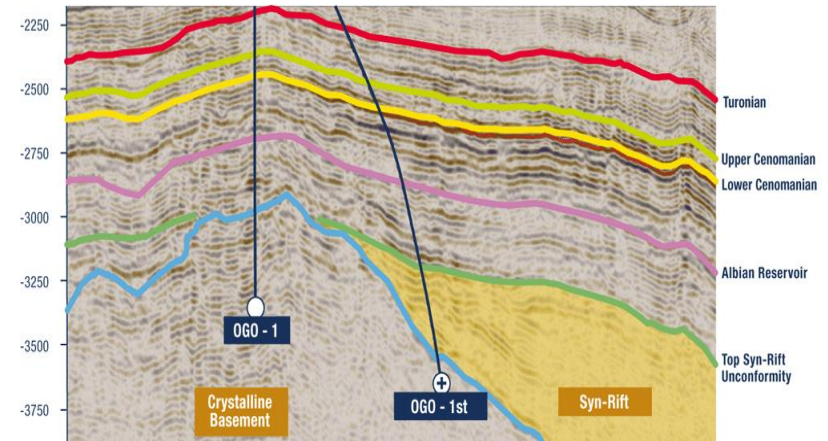
Ogo-1 Discovery and Syn Rift Potential

Exciting exploration potential from the new syn-rift play

Syn Rift Potential in Aje

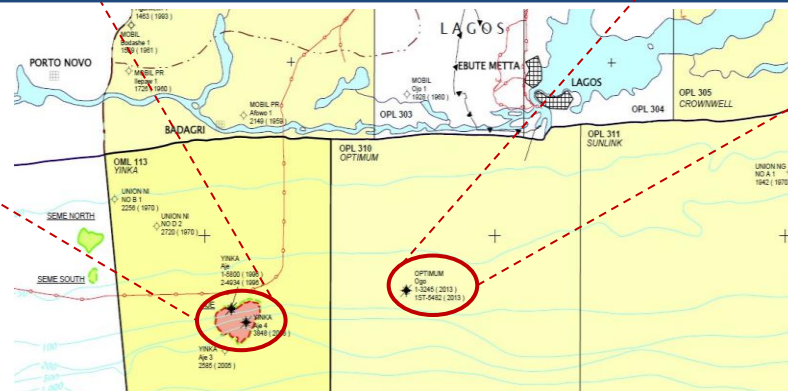


Insights into Ogo Discovery in OPL 310



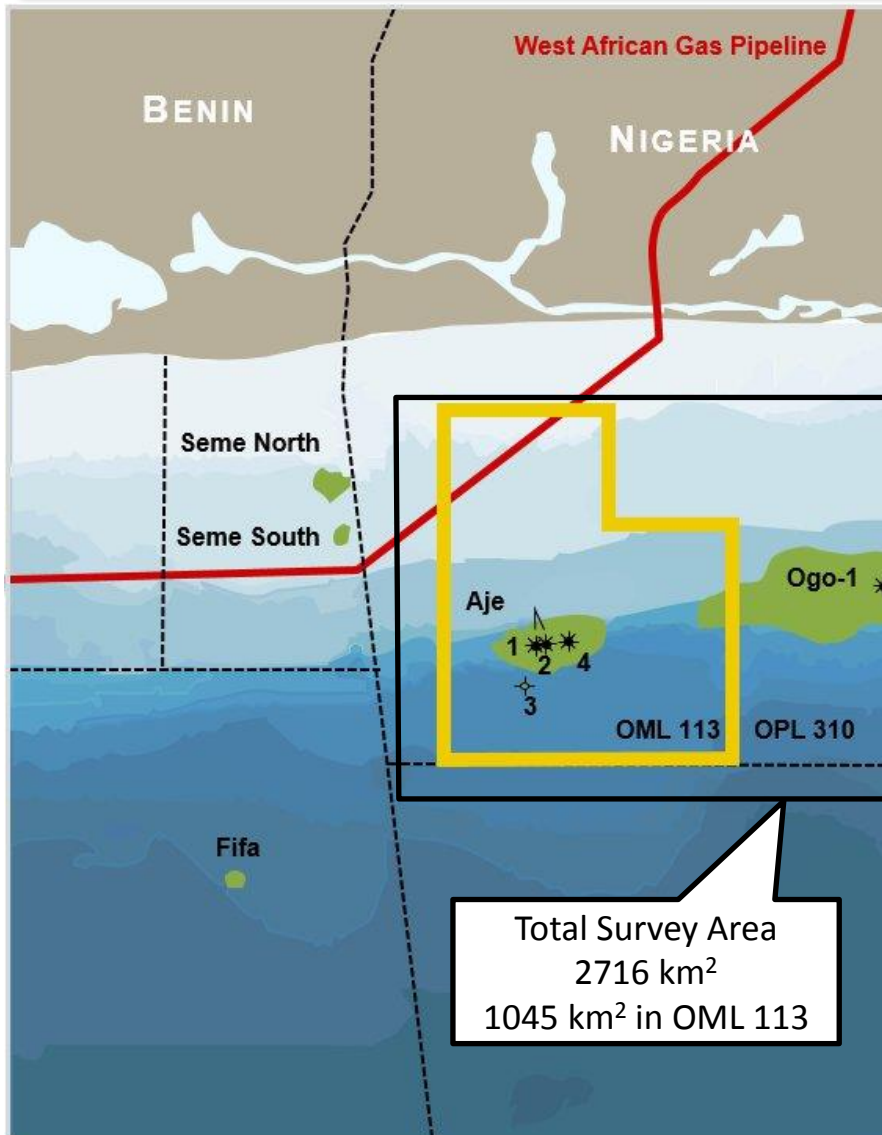
Source: Lekoil

Surface View of Syn-Rift Potential



Source: IHS

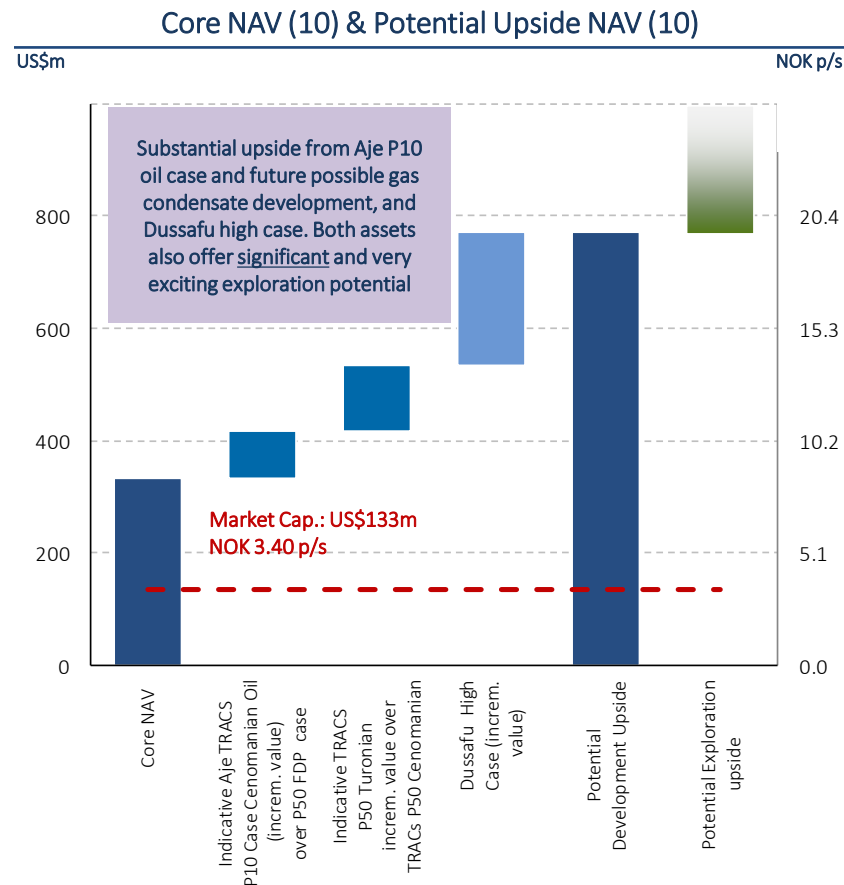
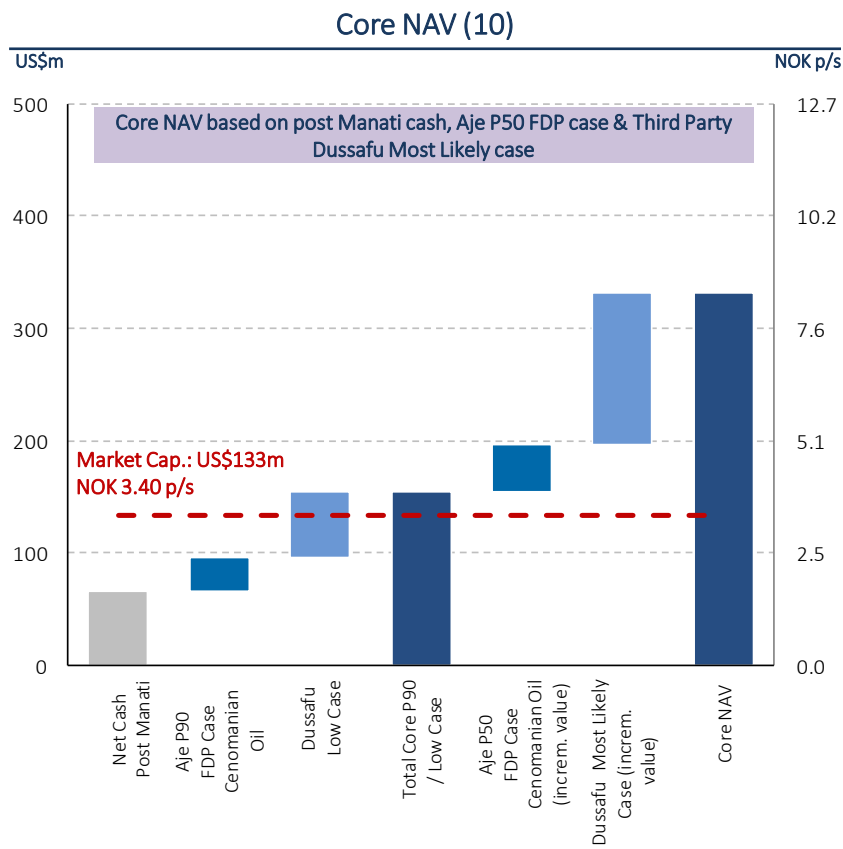
OML 113 Seismic acquisition completed



- Quality of data is improved compared to existing 3D
- Processing due to start imminently
- Fast Track PSTM due for delivery mid 2014 with PSDM in 2H 2014
- Data will be used to mature prospect inventory in OML 113
- Interpretation work by Afren in tandem with OPL 310
- Both Upper Cretaceous and Syn-rift prospectivity expected
- Higher resolution data will be used in phase 2 Aje drilling for step-outs after Aje-4 re-entry and Aje-5 development wells

Panoro Sum of the Parts Valuation

Panoro is currently trading below the P90 / low case value of its assets and its cash position



Note:

Aje Cenomanian Oil P90 & P50 values are based on the Aje JV's approved FDP's cases, oil price assumption of \$100/bbl with 2.5% annual escalation. The Aje P10 upside (which assumes a 5-well case) and P50 Cenomanian Oil & Turonian gas condensate development based on TRACS as of 31st December 2013 - oil price assumption of \$100/bbl with 2.5% annual escalation. Dussafu NAVs have been computed based on Dussafu cashflows which assume that the Tullow JV (Tulip) will exercise its back-in right of 10% (i.e. Panoro's Working Interest is reduced from 33.3% to 30%), and are based on GCA's unrisks contractor cash flows as of 31st December 2013 which assume a flat oil price of \$108/bbl; given management's current estimate of first oil these on GCA cash flows have been delayed by one year and discounted accordingly. NAV excludes potential value of Manati earn-out which at current exchange rates is estimated to be worth approx. \$3.2m on an NPV(10) basis; in the event that the BRL / USD exchange rate appreciates to 2.0 the NPV(10) of the earn-out rises to approx. \$9m

Corporate Sales Process

- Sales process fully launched after closing of the Manati transaction
- Progressing according to plan
- The Company will announce results after completing the process

Outlook

- Restructuring according to plan
 - Significant reduction in costs
 - Ongoing exit from Brazil
 - Company debt free with two high quality assets
 - Company well positioned
- Aje field
 - Final Investment Decision (FID) expected in Q3
 - Processed seismic by year end
- Dussafu
 - Declaration of Commerciality of Dussafu and finalizing field development plan
 - Processed seismic by Q3
- Sales process
 - The Company will announce results after completing the process

First quarter 2014 financials

Q&A

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Please visit www.panoroenergy.com for more information