

Panoro Energy

ΠΑΝΟΡΟ ΕΝΕΡΓΕΙΑ

First Quarter Report 2014

May 14, 2014



Contents

Contents	2
Highlights and events.....	3
Operational update.....	4
Financial information	6
Outlook	9
Condensed consolidated financial statements	10
Notes to the condensed consolidated financial statements	14
Other information.....	19

Highlights and events

Panoro Energy ASA and its subsidiaries (“Panoro Energy” or “Panoro” or “the Company”) report EBITDA of USD -2.2 million for the first quarter 2014. The Company completed the closing of the sales transaction of the Brazilian subsidiary Rio das Contas during the quarter and received USD 140 million. Proceeds were used to repay the outstanding bonds leaving the Company debt free. The Joint Venture received approval of the Field Development Plan for Aje and completed the 3D seismic survey over the OML 113 license.

First quarter 2014 highlights and subsequent events

- EBITDA was USD -2.2 million, down from USD 14.4 million in the previous quarter
- EBIT of USD 51.4 million, up from -40.0 million in Q4-13
- Completed closing of the sales transaction of Rio das Contas
- Repayment of bonds leaving the Company debt free
- Approval of Field Development plan for Aje
- Completion of 3D seismic survey over the OML 113 license
- Partnership surrendered the BS-3 licenses
- No more licenses in Brazil following the BS-3 exit and sale of Manati (RdC)
- Continued focus on cost reduction
- Ongoing strategic sales process

Operational update

GABON

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

Planning for a cluster field development of the Ruche, Tortue, Walt Whitman and Moubenga oil discoveries continued during the quarter. The Dussafu Joint Venture partners have determined and agreed that the fields are commercial to develop and on April 10, 2014 formally petitioned the Government of Gabon for a Declaration of Commerciality and an Exclusive Exploitation Area encompassing the discovered fields pursuant to the concession agreement.

At the end of the quarter, the Joint Venture received the Competent Person Report from Gaffney Cline and Associates (GCA) on the Dussafu Marine License. This assessment has been based on the development plan provided by the operator and estimates the 1C, 2C and 3C contingent resources for the four oil discoveries on the Dussafu block. The 1C, 2C and 3C contingent resources on a gross basis before both government take and application of the economic limit test are 17.0 mmbo, 36.3 mmbo and 70.6 mmbo respectively. Applying the economic limit test to these volumes results in economically recoverable contingent resources of 13.2 mmbo, 33.4 mmbo and 70.3 mmbo respectively. Taking account of the government share of oil the contingent resources net to the Dussafu JV partners are 9.6 mmbo, 20.5 mmbo and 37.6 mmbo respectively. Most importantly the Contingent Resources Report provides third party confirmation for the JV's belief that the four oil discoveries are economically attractive to develop and estimates the undiscounted pre-tax cash flows net to the Dussafu JV, after application of government take and an economic limit test, of \$298 million for 1C, \$954 million for 2C, and \$2,361 million for 3C.

Central/inboard 3D seismic data has been received, and geophysical and geological interpretation to review prospectivity was completed. We have also begun reviewing the first high quality seismic products of the outboard 1,130 Sq Km of 3D seismic data acquired over the license during October and mid-November 2013. This survey provides the first 3D coverage over the outboard portion of the Dussafu Marine License where significant pre-salt prospectivity has been already recognized on 2D seismic data. The new 3D seismic data also extends over the Ruche and Tortue fields and data as a result will also enhance the placement of future production wells in the Ruche and Tortue development program.

NIGERIA

OML 113 Aje field: YFP (Operator, 60%), Panoro Energy (6.5% participating interest)

The Aje Field Development Plan (FDP) was approved by the Department of Petroleum Resources (DPR) in Nigeria during the quarter. The FDP is primarily focused on the development of the Cenomanian Oil reservoir and the first phase of development includes two subsea production wells, tied back to a leased FPSO. These wells will comprise the recompletion of the existing Aje-4 well, and a new well drilled to the Aje-2 subsurface location. The Aje-2 well demonstrated high productivity in a Cenomanian production test conducted in 1997, flowing approximately 3700bopd of 41° API oil even though the well had sustained significant productivity impairment during drilling operations. The FDP envisages first oil commencing in Q4 2015 with mid-case reserves of 32.4MMbbl. In order to maintain the first oil target date, subsea trees were acquired by the Joint Venture during the quarter and all other key long lead items have been identified, including FPSO candidates, flowlines, and subsea manifolds. The Aje Joint Venture partners are targeting a Final Investment Decision in Q3 once commercial terms for these key long lead items have been clarified. Once production commences future phases of the project will likely target additional Cenomanian oil wells. A later Turonian/Albian gas condensate project is currently considered as a separate development in the future.

The Joint Venture partners in the OML 113 license have just completed a new 3D seismic survey over the OML 113 license. The survey was carried out by Polarcus as a part of joint acquisition program in combination with the neighboring block OPL 310 to the east, where significant discoveries were made in late 2013. First Hydrocarbon Nigeria Ltd (a Joint Venture Partner on the OML 113 license) through their parent company Afren, managed the seismic acquisition operations and will conduct the subsequent processing and interpretation of the seismic data in conjunction with their OPL 310 data. The Aje field and many of the leads in OML 113 are already covered by a 3D seismic survey acquired in 1997, however it is expected that the new survey will provide a considerable improvement in data quality over the existing 3D data. It is envisaged that the data will enable better development planning for the second phase of development drilling on Aje and provide improved data to fully evaluate the exploration potential over the whole of the OML 113 license, including the exciting synrift exploration play that was significantly de-risked though the discovery made in OPL 310.

BRAZIL

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

The Brazilian Petroleum Agency (“ANP”) approved the replacement of the parental guarantee of Panoro Energy ASA with the parental guarantee of GeoPark Limited in their Board meeting on March 26. This approval allowed the complete transfer of Panoro Energy’s shares in Rio das Contas which is the direct beneficial owner of 10% of the BCAM-40 Block in the Camamu-Almada basin including the 10% interest in the Manati field to GeoPark Brasil Exploração e Produção de Petróleo e Gás Ltda to take place.

Panoro Energy received the purchase consideration of USD 140 million from GeoPark and used approximately USD 123 million to pay Panoro Energy’s outstanding USD and NOK bond tranches of USD 84 million and NOK 164 million as of March 31, 2014 (plus accrued interest and the 6% call premium). With the mandatory redemption executed the Company is debt free.

BS-3 project: Petrobras (Operator, 35%) Panoro Energy: Cavalo Marinho (50%), Estrela do Mar (65%) and Coral (35%)

Panoro withdrew from all the BS-3 concessions on February 28, 2014 following request for from ANP. All concessionaires in the BS-3 licenses have now withdrawn from the licenses which are being relinquished to the ANP (Agencia Nacional de Petróleo). There will be some administrative and limited operational activities as the Abandonment plan is carried out.

Financial information

Income statement review

First quarter 2014 versus fourth quarter 2013

Panoro Energy reported an EBITDA of negative USD 2.2 million for the first quarter 2014, compared to USD 14.4 million positive in the fourth quarter 2013. The decline in EBITDA was primarily driven by the completion of the sale of Rio das Contas; the Group's subsidiary which held the only producing asset in Brazil. The results from Rio das Contas to the time of sale completion have been included in the gain on disposal of subsidiary for relevance of presentation.

Subsequent to the sale of Rio das Contas, no revenue and production costs are presented in the Group statement of comprehensive income in the respective lines as all results have been included as part of the gain on sale of investment.

Exploration related costs decreased slightly from USD 0.5 million in 4Q 2013 to USD 0.4 million in 1Q 2014. This is consistent with the operator general and administrative costs on the JVs which do not meet capitalisation criteria.

Strategic review costs of USD 23 thousand reduced significantly for the first quarter 2014 in comparison to USD 0.9 million in the fourth quarter 2013. These costs are of a one-off nature and will discontinue once these processes are concluded. The higher costs in fourth quarter 2013 represent legal and advisory costs incurred in strategic reviews and divestments.

General and administration costs amounted to USD 1.7 million in the first quarter 2014, compared to USD 2.6 million in the fourth quarter 2013. The significant reduction is due to an ongoing cost reduction programme undertaken by management which is starting to reflect sustainable efficiencies.

Depreciation reduced to USD 23 thousand in the first quarter 2014, from USD 51 thousand in the fourth quarter 2013.

The Company recognized impairment of USD 0.2 million in relation to costs incurred on BS-3 licenses in the first quarter 2014. This compares with total impairment charges of USD 46.2 million on Brazilian assets in the fourth quarter 2013, triggering from withdrawal from Cavalo Marinho and Estrela do Mar licences in the BS-3 area. The JV partners are formalising the documentation following the withdrawal from BS-3 area.

Share based payments charge of USD 9 thousand was recognised in the first quarter 2014 reducing from USD 91 thousand in the fourth quarter 2013 due to employees leaving the Company on sale of Rio das Contas.

Gain on sale of subsidiary of USD 53.8 million represents pre-tax gain on sale of entire share capital of Rio das Contas in Brazil. The detailed build-up of the gain can be referred to in note 8 to the annexed quarterly financial statements.

EBIT was thus a positive USD 51.4 million in the first quarter 2014, compared to a negative USD 32.0 million in the fourth quarter 2013.

Net financial items amounted to a negative USD 4.3 million in the first quarter 2014, including net interest and redemption costs of USD 12.6 million, net other financial costs of USD 0.1 million, reversal of the effects of re-measurement of bond liability USD 8.7 million and a net foreign exchange loss of USD 0.3 million.

This compares to net financial items of a negative USD 3.6 million in the fourth quarter 2013, which included net interest costs of USD 2.8 million, net other financial costs of USD 0.6 million, effects of re-measurement of bond liability of positive USD 0.1 million and a net foreign exchange loss of USD 0.3 million.

The increase in net interest costs reflects inclusion of 6% penalty on redemption of bond loan and write-down of capitalised debt issue costs. This is offset by the reversal of USD 8.7 million of re-measured liability estimate since the actual final bond liability has been recorded in the financial statements at the end of the first quarter 2014. Other financial costs decreased due to lower charges on remittances from Brazil in 1Q.

Income before tax was USD 47.1 million in the first quarter 2014, compared to a loss of USD 35.6 million in the previous quarter.

The Group recognized an income tax charge of USD 11.8 million in the first quarter 2014 compared to a charge of USD 2.3 million in the fourth quarter 2013, with the former mainly reflecting deferred tax realisation on sale of Rio das Contas in Brazil. No cash outflow is expected to arise on the disposal of subsidiary as Brazil has significant tax losses related to the BS3 impairment.

The net income for the quarter was USD 35.3 million, compared to a net loss of USD 37.9 million in the previous quarter.

Other comprehensive income of a positive USD 3.4 million was a result of translating Brazilian subsidiaries for reporting purposes, reflecting the BRL strengthening against USD during the quarter. Other comprehensive income was a negative USD 5.7 million in the fourth quarter 2013.

Statement of financial position review

Movements to March 31, 2014 from December 31, 2013

Movements in the Group statement of financial position during the first quarter 2014 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 96.0 million at March 31, 2014, a decrease of USD 10.8 million from December 31, 2013.

Licences and exploration assets amounted to USD 95.9 million, an increase of USD 1.1 million in the quarter. The main reason for the increase was expenditure on 3D seismic data acquisition and reprocessing on Dussafu and costs incurred on preparation of Field Development Plan on OML-113 licence area in Nigeria.

Property, furniture, fixtures and equipment remained consistent at USD 0.2 million for both periods.

Deferred tax assets were nil at the end of the first quarter 2014 reducing from USD 11.9 million per December 31, 2013. The deferred tax was realised in entirety after conclusion of the sale of Company's subsidiary Rio das Contas in the first quarter of 2014 and has accordingly been written-off.

Current assets

Current assets amounted to USD 190.7 million per March 31, 2014, compared to USD 57.7 million per December 31, 2013.

Trade and other receivables stood at USD 0.9 million, slightly decreasing from USD 1.0 million at the end of December 2013.

Cash and bank balances stood at USD 189.7 million per March 31, 2014, an increase from USD 57.7 million per December 31, 2013. The increase is mainly impacted by the receipt of the USD 140 million proceeds from the sale of Rio das Contas at the end of the current quarter. The cash and bank balances included USD 180 million of restricted cash at 1Q 2014 compared to USD 2.6 million at the end of December 2013. This is mainly due to directly depositing the entire sale proceeds of USD 140 million with the Trustee to efficiently settle the bond obligations. The excess funds of USD 56.6 million were released to the Company after final settlement to bondholders on April 4, 2014.

Assets classified as held for sale

Assets classified as held for sale amounted to USD 96.9 million per December 31, 2013, representing reclassifications of divested balances in relation to Rio das Contas in accordance with the requirements of IFRS 5. After the completion of the sale, assets classified as held for sale were de-recognised from the statement of financial position per March 31, 2014.

Equity

Equity amounted to USD 157.1 million per March 31, 2014, compared to USD 118.4 million at the end of December 2013. The change reflects the profit for the period and a positive movement in currency translation reserves.

Non-current liabilities

Total non-current liabilities amounted to USD 4.4 million per March 31, 2014 and December 31, 2013 which represents a deferred tax liability arising on a business combination in 2010.

Current liabilities

Current liabilities amounted to USD 125.2 million at March 31, 2014, compared to USD 124.2 million at the end of December 2013.

Interest bearing debt totalled USD 123.4 million at the end of March 2014 which represents a final liability towards bond holders and was settled on April 4, 2014. This compared to USD 118.9 million at December 31, 2013. The change mainly represents additional interest for the first quarter of current year.

Accounts payable, accruals and other liabilities amounted to USD 1.8 million, a decrease from USD 5.3 million at the end of December 2013. The decrease is a result of lower liabilities towards joint ventures in West Africa at the end of first quarter 2014.

Liabilities directly associated with assets classified as held for sale

Liabilities directly associated with assets classified as held for sale per December 31, 2013 amounted to USD 14.4 million, representing reclassifications of divested balances in relation to Rio das Contas (Manati) in accordance with the requirements of IFRS 5. After the completion of the sale, such liabilities were de-recognised from the statement of financial position per March 31, 2014.

Bonds, debt and other financial information

The Company was in compliance with its loan covenants at the end of the first quarter 2014 and up to the redemption of bond on April 4, 2014. The stock price closed the quarter at NOK 3.36/share.

Funding

Cash and bank balances amounted to USD 189.7 million at March 31, 2014, including restricted cash of USD 180.0 million. Of the restricted cash, USD 123.4 million is earmarked for bond repayment in full which concluded on April 4, 2014. After the redemption of bond loan, the Company is left with approximately USD 66.3 million in cash with no debts to repay.

Outlook

- The Aje partners are in process of securing long lead items and negotiating terms for an FPSO. The Final Investment Decision (FID) is expected in 3Q.
- The partners and Direction Générale des Hydrocarbures in Gabon (DGH) are actively discussing terms of the Declaration of Commerciality and the award of an Exclusive Exploitation Area to cover the discoveries. The recent outboard 3D seismic will be processed with time migrated data expected in Q2 and fully depth migrated data expected in Q3.
- Having now withdrawn from the BS3 licenses, Petrobras will finalize the abandonment plan with the ANP. Panoro will continue to wind up the Brazilian activities and the local office will be closed down.
- With the closing of the Manati transaction in late March the corporate sale process was fully launched. Results will be announced following discussions with potential bidders.

The Board of Directors

Panoro Energy ASA

Oslo, May 14, 2014

Endre Ording Sund
Chairman

Silje Christine Augustson
Board member

Tone Kristin Omsted
Board member

Bjørn Stadheim
Board member

Condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED MARCH 31, 2014

<i>Amounts in USD 000</i>	Note	Q1 2014	Q4 2013	Q1 2013
		<i>(Unaudited)</i>		
Oil and Gas revenue		-	10,642	12,725
Other income		-	10,500	-
Total revenue		-	21,142	12,725
Production costs		-	(2,876)	(1,217)
Exploration related costs		(437)	(482)	(216)
Strategic review costs		(23)	(867)	(230)
General and administrative costs		(1,735)	(2,560)	(3,105)
EBITDA		(2,195)	14,357	7,957
Depreciation		(23)	(51)	(2,100)
Impairment		(173)	(46,180)	(150)
Share based payments		(9)	(91)	70
Gain / (loss) on sale of subsidiary	8	53,759	-	-
Gain / (loss) on sale of exploration assets (net of tax)		-	(14)	
EBIT - Operating income/(loss)		51,359	(31,979)	5,777
Interest costs net of income including bond redemption premium	10	(12,584)	(2,790)	(3,706)
Other financial costs net of income		(100)	(611)	(210)
Effects of remeasurement of bond liability	10	8,694	102	-
Net foreign exchange gain/(loss)		(317)	(343)	1,562
Income/(loss) before tax		47,052	(35,621)	3,423
Income tax benefit/(expense)	4,8	(11,786)	(2,282)	(2,314)
Net income/(loss) for the period		35,266	(37,903)	1,109
Exchange differences arising from translation of foreign operations		3,369	(5,654)	2,177
Other comprehensive income/(loss) for the period (net of tax)		3,369	(5,654)	2,177
Total comprehensive income/(loss) for the period		38,635	(43,557)	3,286
Net income /(loss) for the period attributable to:				
Equity holders of the parent		35,266	(37,903)	1,109
Total comprehensive income/(loss) for the period attributable to:				
Equity holders of the parent		38,635	(43,557)	3,286
Earnings per share (Note 5)				
(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent		0.15	(0.16)	-

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014

<i>Amounts in USD 000</i>	Note	March 31, 2014 <i>(Unaudited)</i>	December 31, 2013 <i>(Audited)</i>
Non-current assets			
Licenses and exploration assets	6	95,874	94,755
Property, furniture, fixtures and office equipment		175	189
Deferred tax assets		-	11,899
Total Non-current assets		96,049	106,843
Current assets			
Trade and other receivables		924	969
Cash and cash equivalents	7	9,702	54,152
Restricted cash	7	180,027	2,604
Total current assets		190,653	57,725
Assets classified as held for sale		-	96,856
Total Assets		286,702	261,424
Equity			
Share capital	9	56,333	56,333
Other equity		100,758	62,114
Total Equity attributable to equity holders of the parent		157,091	118,447
Non-current liabilities			
Deferred tax liabilities		4,376	4,376
Total Non-current liabilities		4,376	4,376
Current liabilities			
Current interest bearing debt	10	123,394	118,912
Accounts payable, accruals and other liabilities		1,841	5,269
Total current liabilities		125,235	124,181
Liabilities directly associated with assets classified as held for sale		-	14,420
Total Liabilities		129,611	142,977
Total Equity and Liabilities		286,702	261,424

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED MARCH 31, 2014

<i>Amounts in USD 000</i>	Q1 2014	Q4 2013	Q1 2013
	<i>(Unaudited)</i>		
Cash flows from operating activities			
Net (loss)/ income for the period before tax	47,052	(35,621)	3,423
Adjusted for:			
Depreciation	23	51	2,100
Effect of re-measurement of bond liability	(8,694)	(102)	-
Other Income	-	(10,500)	-
Impairment and asset write-off	173	46,815	-
(Gain)/loss on disposal of assets	(53,759)	14	-
Net finance costs	12,684	3,401	3,916
Share-based payments	9	91	(70)
Foreign exchange gains/losses	317	343	(1,562)
Increase/(decrease)in trade and other payables	1,935	(445)	(1,475)
(Increase)/decrease in trade and other receivables	(3,175)	2,024	166
Non-cash portion of long-term liability	-	(3,500)	-
Taxes paid	-	(1,534)	(1,402)
Net cash flows from operating activities	(3,435)	1,037	5,096
Cash flows from investing activities			
Investment in exploration, production and other assets	(2,534)	(3,619)	(10,742)
Proceeds from the disposal of subsidiary (net of costs)	139,100	-	-
Incidental income on termination of sale agreement	-	4,000	-
Cash and cash equivalents classified as held for sale	-	2,652	-
Net cash flows from investing activities	136,566	3,033	(10,742)
Cash flows from financing activities			
Net financial charges paid	(78)	(8,311)	(540)
Repayment of Bond	-	(13,850)	-
Movement in restricted cash balance	(177,423)	14,290	(7,295)
Net cash flows from financing activities	(177,501)	(7,871)	(7,835)
Effect of foreign currency translation adjustment on cash balances	(80)	1,129	1,149
Change in cash and cash equivalents during the period	(44,450)	(2,672)	(12,332)
Cash and cash equivalents at the beginning of the period	54,152	56,824	70,623
Cash and cash equivalents at the end of the period	9,702	54,152	58,291

The cash and cash equivalents above do not include restricted cash balance of USD 180.0 million (December 31, 2013: USD 2.6 million and March 31, 2013: USD 10.2 million). The accompanying notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2014 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
At January 1, 2014 - (Audited)	56,333	288,858	66,021	(210,787)	(37,647)	(44,331)	118,447
Net income/(loss) for the period	-	-	-	35,266	-	-	35,266
Other comprehensive income/(loss)	-	-	-	-	-	3,369	3,369
Total comprehensive income/(loss)	-	-	-	35,266	-	3,369	38,635
Translation adjustment realised on sale of Rio das Contas	-	-	-	(35,195)	-	35,195	-
Employee share options	-	-	9	-	-	-	9
At March 31, 2014 - (Unaudited)	56,333	288,858	66,030	(210,716)	(37,647)	(5,767)	157,091

For the three months ended December 31, 2013 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
At October 1, 2013 - (Unaudited)	56,333	288,858	65,930	(172,885)	(37,647)	(38,677)	161,912
Net income/(loss) for the period	-	-	-	(37,902)	-	-	(37,902)
Other comprehensive income/(loss)	-	-	-	-	-	(5,654)	(5,654)
Total comprehensive income/(loss)	-	-	-	(37,902)	-	(5,654)	(43,557)
Employee share options	-	-	91	-	-	-	91
At December 31, 2013 - (Audited)	56,333	288,858	66,021	(210,787)	(37,647)	(44,331)	118,447

For the three months March 31, 2013 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
At January 1, 2013 - (Audited)	56,333	288,858	65,786	(156,035)	(37,647)	(25,192)	192,103
Net income/(loss) for the period	-	-	-	1,109	-	-	1,109
Other comprehensive income/(loss)	-	-	-	-	-	2,177	2,177
Total comprehensive income/(loss)	-	-	-	1,109	-	2,177	3,286
Employee share options	-	-	(70)	-	-	-	(70)
At March 31, 2013 - (Unaudited)	56,333	288,858	65,716	(154,926)	(37,647)	(23,015)	195,319

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

Notes to the condensed consolidated financial statements

1. Corporate information

The holding Company, Panoro Energy 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 West Africa. The condensed consolidated financial statements of the Group for the period ended March 31, 2014 were authorised for issue by the Board of Directors on May 14, 2014.

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

2. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU. The condensed 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 in the Company's 2013 Annual report. The 2013 Annual report is available on the Company's website at <http://www.panoroenergy.com>.

The condensed 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 Significant accounting policies

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's 2013 Annual report.

3. Segment information

From 1Q 2014, the Group operated predominantly in one business segment being the exploration of oil and gas in West Africa. After the divestment of Company's interest in Manati field at the end of March 2014, the Group is only left with West African operating business. As such, the information for March 31, 2014 does not include Brazilian operations. However, for the purpose of comparative information, the Brazilian segment has been included.

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 OML113-Aje represents the Group's 6.5% participating interest (12.19% profit interest) in the OML113-Aje exploration licence in Nigeria.
- The 'Corporate and others' category consists of head office and service company operations that are not directly attributable to the other segment. Further, it also includes the residual corporate business in Brazil which is expected to be dormant in the foreseeable future.

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 and general expenditure after disposal of subsidiary in Brazil. Details of group segments are reported below.

	Q1 2014	Q4 2013	Q1 2013
OPERATING SEGMENTS - BRAZIL			
<i>(Unaudited)</i>			
<i>in USD 000</i>			
Manati & Brazil Licences			
Sales - Gas and condensate	-	10,642	12,725
Other income	-	3,500	-
EBITDA	-	9,830	9,976
Depreciation and amortisation	-	29	2,076
Impairment of E&E assets	-	46,180	150
Segment assets excluding held for sale	-	19,507	187,557
Segment assets classified as held for sale	-	96,856	-
OPERATING SEGMENTS - WEST AFRICA			
<i>in USD 000</i>			
West Africa Assets			
EBITDA	(532)	(415)	(98)
Gain / (loss) on disposal of subsidiary and licences	-	(14)	-
Segment assets excluding held for sale	95,874	94,544	149,169
Segment assets classified as held for sale	-	-	-
CORPORATE AND OTHERS			
<i>in USD 000</i>			
Other income	-	7,000	-
EBITDA	(1,663)	4,942	(1,921)
Gain / (loss) on disposal of subsidiary and licences	53,759	-	-
Impairment of E&E assets	173	-	-
Depreciation and amortisation	23	22	24
Segment assets excluding held for sale	190,828	50,517	42,101
CONSOLIDATED			
<i>in USD 000</i>			
Sales - Gas and condensate - Total	-	10,642	12,725
Other income	-	10,500	-
EBITDA	(2,195)	14,357	7,957
Gain / (loss) on disposal of subsidiary and licences	53,759	(14)	-
Depreciation and amortisation	23	51	2,100
Impairment of E&E assets	173	46,180	150
Segment assets excluding held for sale	286,702	164,568	387,827
Segment assets classified as held for sale	-	96,856	-

The segment assets represent position as of quarter ends and the statement of comprehensive income items represent results for the respective quarters presented. 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:

	Q1 2014	Q4 2013	Q1 2013
	<i>USD 000 – (Unaudited)</i>		
Income Taxes			
Current income tax	-	1,601	1,706
Deferred income tax	11,786	681	608
Total tax (benefit) / charge for the period	11,786	2,282	2,314

5. Earnings per share

	Q1 2014	Q4 2013	Q1 2013
<i>Amounts in USD unless otherwise stated</i>	<i>(Unaudited)</i>		
Net profit / (loss) attributable to equity holders of the parent	35,266	(37,903)	1,901
Weighted avg. no. of shares outstanding - in thousands	234,546	234,546	234,546
Basic and diluted earnings per share (USD)	0.15	(0.16)	-

Diluted earnings per share

The Group had 5,610,003 outstanding share options as of March 31, 2014 (December 31, 2013:5,816,673 options) that are potentially dilutive ordinary shares. As of March 31, 2013, 8,413,331 share options were outstanding.

6. License interests, exploration and evaluation assets

	Licence interest, exploration and evaluation assets
	<i>USD 000</i>
Net book value	
At January 1, 2014 (<i>Audited</i>)	94,755
Additions	1,119
Foreign currency translation adjustments	-
At March 31, 2014 (<i>Unaudited</i>)	95,874

7. Cash and bank balances

	March 31, 2014 (Unaudited) USD 000	December 31, 2013 (Audited) USD 000
Cash and cash equivalents	9,702	54,152
Restricted cash	180,027	2,604
Cash and bank balances at the end of the period	189,729	56,756

The restricted cash of USD 180.0 million as of March 31, 2014 represents cash held with bond trustee for redemption of bond liability in full. The Bond was redeemed on April 4, 2014 with a final liability of USD 123.4 million and the excess cash of USD 56.6 million was returned to the Group on the same date.

8. Disposal of non-current assets / shares in subsidiary

On May 14, 2013, the Company's wholly owned subsidiary Panoro Energy do Brasil Ltda has entered into a sales and purchase agreement (SPA) to divest its Brazilian subsidiary Rio das Contas to GeoPark Brasil Ltda for a total consideration of USD 140 million plus contingent earn-out. Rio das Contas is the direct beneficial owner of 10% of the BCAM-40 Block in the Camamu-Almada basin offshore Brazil, which includes the Manati and Camarão Norte fields where Panoro Energy holds a 10% interest. Cash proceeds from the transaction was to be used to redeem Panoro Energy's outstanding bond loans (ISIN NO 001 059097.9 and NO 001 059096.1) which left the Company debt free.

The purchase consideration for the shares in Rio das Contas comprises an initial payment of USD 140 million, adjusted by working capital, with effective date of the transaction April 30, 2013 to be paid in cash upon closing. In addition, a contingent earn-out will be paid in cash over the 5-year period from January 1, 2013 to December 31, 2017. The annual earn-out payments will equal 45 % of the annual net cash flow exceeding USD 25 million. The total earn-out is capped at USD 20 million.

On March 26, 2014, the Brazilian Petroleum Agency (ANP) approved the sale of RdC to GeoPark by replacing the parental guarantee which was one of the main conditions to completion. Subsequent to ANP approval, all shares in RdC have been transferred to Geopark and the consideration received has been used to repay the bond liability in full.

The disposal of subsidiary resulted in a net gain of USD 53.8 million which has been recognised in the statement of comprehensive income. The main components of gain on disposal of subsidiary are:

	USD 000
Consideration	140,000
Less:	
Net cost of investment	(85,341)
Financial costs incurred	(510)
Associated legal costs incurred during the quarter.	(390)
Pre-tax gain on sale of subsidiary	53,759

The accumulated results for 1Q 2014 for the disposed subsidiary comprise the following and have been included in the cost of investment above:

	USD 000
Oil and gas revenue	10,393
Production costs	(1,398)
General and administrative costs	(346)
Depreciation	-
Net finance income	361
Net foreign exchange gain / (loss)	230
Income tax - current and deferred	(914)
Net results for 1Q 2014 from disposed subsidiary's operations	8,326

In addition to recognising the gain on sale of subsidiary, the Group has also recognised a deferred tax expense of USD 11.8 million which represents a write-down of the previously recognised deferred tax asset in Brazil. The deferred tax arose on tax losses in Brazil which were absorbed by the gain generated on the sale of Rio das Contas. Cash outflows on account of income tax are not expected on conclusion of the sale transaction per management's interpretation of the current tax rules.

The accumulated currency translation reserve of negative USD 35.2 million for Rio das Contas has also been realised and as such transferred to retained earnings as of the date of disposal.

9. Share capital

The total number of ordinary shares in issue throughout the period ended March 31, 2014 was 234,545,786 with a nominal value of NOK 342,547,498.77.

10. Interest bearing debt

	March 31, 2014		December 31, 2013	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>
	Current	Non-current	Current	Non-current
Corporate				
NOK denominated loan	30,462	-	26,838	-
USD denominated loan	92,932	-	83,381	-
Effects of re-measurement of bond liability	-	-	8,694	-
Total	123,394	-	118,913	-

The amount above includes accrued interest to March 31, 2014 of USD 5.3 million (December 31, 2013: USD 1.8 million) and is net of unamortized bond issue costs of USD Nil (December 31, 2013: USD 2.5 million). In addition, the balance at March 31, 2014 also includes USD 6.7 million of mandatory redemption premium applicable at 6% of the principal due on the date of redemption.

The Company has entered into a sale agreement with GeoPark Holdings to sell its entire share capital in its fully owned subsidiary Rio das Contas (RdC) which also holds Manati field. The shares in RdC and Manati were pledged as security under the bond agreement which required mandatory redemption of the loan on completion of sale transaction. Under the terms of the bond agreement, mandatory redemption premium of 6% was applied to the principal balance on redemption date of April 4, 2014.

Since the redemption premium is recognised in the March 31, 2014 financial statements at the actual amount, the re-measurement effects of USD 8.7 million have been reversed in the statement of comprehensive income.

The bonds were listed on Oslo ABM under quotes PEN 01 PRO and PEN 02 PRO and have since been de-listed on redemption.

Other information

Financial calendar

May 15, 2014	First quarter 2014 results and Annual General Meeting
August 14, 2014	Second quarter 2014 results
November 6, 2014	Third quarter 2014 results

Glossary and definitions

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bcf	Billion cubic feet
Bm³	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
MMm³	Million cubic meters
Tcf	Trillion cubic feet

Disclaimer

This presentation does not constitute an offer to buy or sell shares or other financial instruments of Panoro Energy ASA ("Company"). This presentation contains certain statements that are, or may be deemed to be, "forward-looking statements", which include all statements other than statements of historical fact. Forward-looking statements involve making certain assumptions based on the Company's experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. Although we believe that the expectations reflected in these forward-looking statements are reasonable, actual events or results may differ materially from those projected or implied in such forward-looking statements due to known or unknown risks, uncertainties and other factors. These risks and uncertainties include, among others, uncertainties in the exploration for and development and production of oil and gas, uncertainties inherent in estimating oil and gas reserves and projecting future rates of production, uncertainties as to the amount and timing of future capital expenditures, unpredictable changes in general economic conditions, volatility of oil and gas prices, competitive risks, regulatory changes and other risks and uncertainties discussed in the Company's periodic reports. Forward-looking statements are often identified by the words "believe", "budget", "potential", "expect", "anticipate", "intend", "plan" and other similar terms and phrases. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation, and we undertake no obligation to update or revise any of this information

Contact information

For further information, please contact:

Anders Kapstad, CFO and Country Manager Brazil
Panoro Energy ASA/ Panoro Energy do Brasil Ltda
anders.kapstad@panoroenergy.com
Mobile: +47 918 17 442/ +55 21 984932356

Carl Peter Berg, VP Commercial & Investor Relations
Panoro Energy ASA/ Panoro Energy do Brasil Ltda
carl.peter.berg@panoroenergy.com
Mobile: +47 928 05 029/ +55 21 985411907

Panoro Energy ASA

P.O. Box 1885 Vika, 0124 Oslo

Visiting address: Dr. Maudsgt. 1-3

0250 Oslo, Norway

Phone: +47 23 01 10 00

www.panoroenergy.com

Panoro Energy Limited

43-45 Portman Square

London W1H 6LY

United Kingdom

Panoro Energy do Brasil Ltda

Praia de Botafogo, 228, Sala 801

Botafogo – Rio de Janeiro

Brazil 22250-040