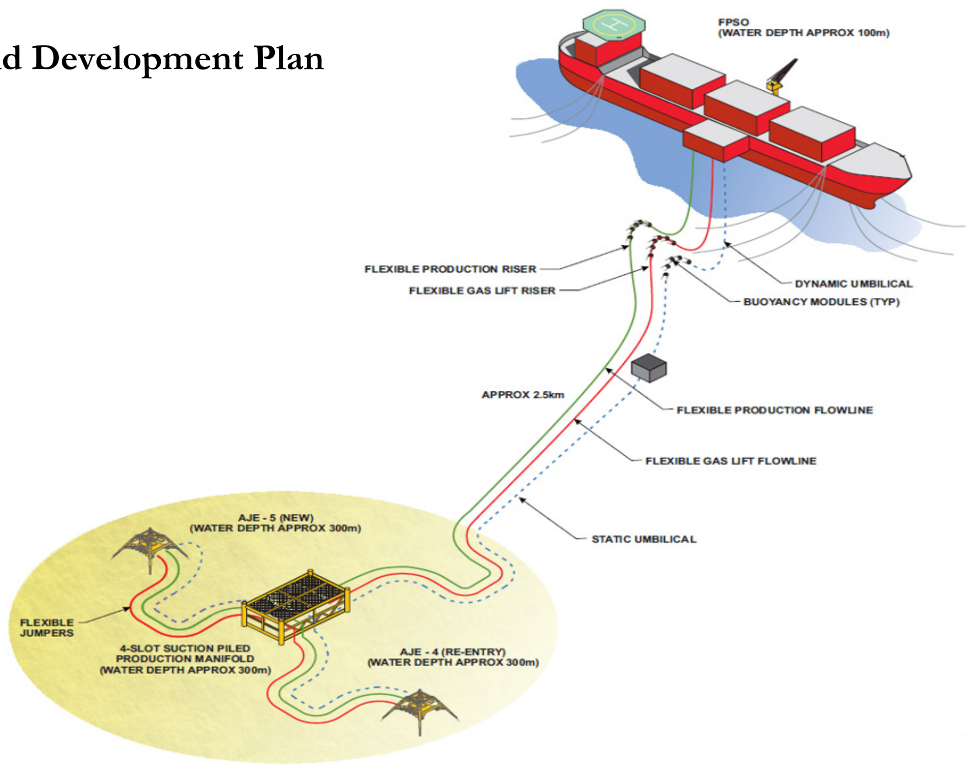
Panoro Energy

Second quarter and first half year report 2014

August 13, 2014

Aje Field Development Plan



Contents

Highlights and events

Panoro Energy ASA and its subsidiaries ("Panoro Energy" or "Panoro" or "the Company") report Net loss from continued operations of negative USD 2.0 million for the second quarter 2014 compared to negative USD 5.8 million in the previous quarter. Key milestone achieved on signing of Declaration of Commerciality and the award of Exclusive Exploitation Authorisation by Gabonese Government for Dussafu block. Proceeds from the sale of the Brazilian subsidiary Rio das Contas were used to repay the outstanding bonds leaving the Company debt free.

Second quarter 2014 highlights and subsequent events

- Net loss from continuing operations was USD -2.0 million, down from USD -5.8 million in the previous quarter
- Declaration of Commerciality signed and award of Exclusive Exploitation Authorisation on Dussafu permit
- Major advancements towards Final Investment Decision in development of Aje Field (OML-113)
- Repayment of bonds leaving the Company debt free
- The strategic sales process is still ongoing

Operational update

GABON

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

During the quarter a Declaration of Commerciality ("DOC") was signed and an Exclusive Exploitation Authorisation ("EEA") awarded for the Dussafu block on July 17, 2014. The executed DOC and award of the EEA means that Ruche, comprising the Ruche A, Ruche B, Ruche C and Ruche D discoveries (also known as Ruche, Tortue, Moubenga and Walt Whitman fields) can now be commercially exploited. The area awarded under the EEA covers 850.5 km² including all four Ruche discoveries and numerous undrilled structures that could be economically and expeditiously developed through the Ruche development infrastructure.

A field development plan ("FDP") has been submitted to the government for approval. The FDP describes the development of the 36.3 MMbbls 2C gross contingent resources confirmed by Gaffney Cline and Associates in their report of December 31, 2013 of which 33.4 MMbbls is commercially recoverable. The plan envisages initial development drilling at Ruche A in the Gamba reservoir followed by Ruche B in the Gamba and Dentale reservoirs. The Ruche C and D drilling will follow. The wells will be tied back via subsea pipelines to Ruche A where processing and oil evacuation will be through a floating production, storage and offloading vessel (FPSO). The FDP anticipates that production from the Ruche EEA area will commence in 2016.

The detailed planning for the development activities continues with pre-FEED (Front End Engineering and Design) and Drilling and Well Construction studies underway after which FEED and Final Investment Decision ("FID") will follow.

Exploration activities continue in parallel for Dussafu and the outboard 3D seismic data, covering an area of 1,260 km², has had initial time processing applied. Interpretation of these data has confirmed the significant pre-salt prospectivity identified on vintage 2D seismic data in the area. Processing continues with the final Depth Migrated data expected in second half of 2014. The potential prospective resources for these structures appear to be much larger than those found in Ruche and Tortue. The Dentale section thickens in the outboard area and the structures appear to be fold related rather than diapiric allowing for potential prospect sizes over a hundred million barrels. Under the recently awarded EEA certain of these structures are now exclusively exploitable by the Dussafu JV for a period of at least 10 years.

NIGERIA

OML 113 Aje field: Panoro Energy (6.5% participating interest, 16.255% paying interest and 12.19% entitlement to revenue stream)

Since the approval of the Aje Field Development Plan ("FDP") earlier this year, work has progressed towards a Final Investment Decision ("FID") on the project. The FDP describes a development of the Aje Cenomanian oil reservoir via two subsea wells and a leased FPSO. The FDP mid-case reserves are 32.4MMbbls 41° API oil with production starting by the end of 2015 at a plateau of 8,000 bbls/day. Once production commences future phases of the project will likely involve additional Cenomanian oil wells targeting further Cenomanian contingent resources. A later Turonian/Albian gas condensate project is currently considered as a separate development in the future. Activity has progressed rapidly during the quarter with establishment of the project team in Lagos, identification of a FPSO vessel, drilling rig, ordering of key long lead item equipment and tendering for installation services.

Panoro has recently received a revised Competent Person's Report ("CPR") from AGR TRACS for Aje including the FDP activity. The CPR has certified gross 2P Proved and Probable Reserves for Aje Cenomanian oil development of 23.4 MMbbls post economic-limit-testing ("ELT") and 1P Proved Reserves of 11.73 MMbbls post-ELT, both at $80/bbl oil price. The FDP project with the 2 well oil development was shown to be economically robust, as is the drilling of 2 additional Cemonanian wells to target a further 15.73MMbbls of Cenomanian 2C Contingent Resources. The total 2C Contingent Resources for Aje including the Turonian reservoir were certified as 202.36 Mmboe. The full Aje project, which includes development of the Turonain gas, condensate and oil as a third phase, was shown by the CPR to be very economically robust.

Processing for the newly acquired 3D seismic data is underway with preliminary time migrated products expected during Q3. Final Pre Stack Depth Migration data is expected to be available at the end of Q1 2015. The seismic processing is being co-ordinated by First Hydrocarbon Nigeria Ltd (a Joint Venture Partner on the OML 113 license and a subsidiary of Afren plc) through their parent company Afren in conjunction with their neighbouring OPL 310 data. 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 Ogo discovery made in OPL 310 last year.

BRAZIL

In conjunction with the conclusion of the sale of Rio das Contas and relinquishment of BS-3 licences, the Board of Directors of the Company has taken the decision to reduce corporate presence in Brazil to a bare minimum. As a result, the Brazil office premises have been physically closed and all roles and responsibilities have also been aligned to the Company's personnel in Oslo and London. The Panoro Energy do Brasil Ltda corporate entity will be maintained in Brazil to take benefit of the earn-out income that may arise in the future from Manati operations and to formalise the legalities arising from the exit of Brazilian partnerships.

Financial information

Income statement review

Second quarter 2014 versus first quarter 2014

From a financial statements perspective, the closure of operations in Brazil are construed as "discontinued operations" and as such have been reported separately from the "continuing business activities". In order to present the discontinued operations separately, an allocation of income and costs arising from Brazilian operations has been made and all periods presented have been reclassified to reflect these adjustments. On an overall basis, there is no restatement of results in the prior periods presented and only a split of continuing and discontinued operations has been made in these interim financial statements.

The analysis of results as presented below is based on reclassified income statement balances after segregating discontinued operations.

Panoro Energy reported a net loss of negative USD 2.0 million from continued operations for the second quarter 2014, compared to negative USD 5.8 million in the first quarter 2014. The decline in net loss from continuing operations was primarily driven by absence of interest costs in the second quarter due to full repayment of debt.

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 its results have been included as part of the Discontinued Operations which have been detailed in note 4 to the interim financial statements.

Exploration related costs decreased slightly from USD 0.4 million in 1Q 2014 to USD 0.2 million in 2Q 2014. This is consistent with the operator general and administrative costs on the JVs which do not meet capitalisation criteria.

Strategic review costs show a slight increase in 2Q 2014 to USD 74 thousand from USD 23 thousand in 1Q 2014. These costs mostly related to legal charges and are of a one-off nature and will discontinue once these processes are concluded.

Severance and restructuring costs incurred in the quarter was USD 0.3 million which reflects the Head Office portion of the severance costs for the employees in Brazil. The remainder of these costs is reflected in the Discontinued Operations line. The overall costs of severance has been allocated between both continuing and discontinued activities in order to align some of core head functions which were historically undertaken from Brazil office.

General and administration costs amounted to USD 1.5 million in the second quarter 2014, compared to USD 1.2 million in the first quarter 2014. The increase is mainly due to inflationary adjustments, exchange movements on spending denominated in sterling and annual phasing of certain cyclical expenses incurred in the second quarter.

Depreciation is relatively unchanged at USD 19 thousand in the second quarter 2014, from USD 21 thousand in the first quarter 2014.

Impairment charges for both quarters have been reallocated to the Discontinued Operations and related solely to Brazilian assets.

The underlying share based payments charges remains constant with USD 38 thousand being recognised in the second quarter 2014 compared to USD 37 thousand in the first quarter 2014.

EBIT from continuing operations was thus a negative USD 2.2 million in the second quarter 2014, compared to a negative USD 1.7 million in the first quarter 2014.

Net financial items amounted to a positive USD 0.2 million in the second quarter 2014, primarily made up of unrealised gains on the investment fund portfolio.

This compares to net financial items of a negative USD 4.1 million in the first quarter 2014, which included net interest and redemption costs of USD 12.8 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 gain of USD 0.1 million.

Loss before tax from continuing activities was USD 2.0 million in the second quarter 2014, compared to a loss of USD 5.8 million in the previous quarter.

Net loss for the period from discontinued operations was USD 1.4 million for the current quarter compared to an income of USD 41.0 million for the first quarter of 2014. The first quarter results include the gain on disposal of Rio das Contas shares whereas the second quarter results only include costs of Brazilian operations and no revenue.

The total net loss was USD 3.4 million, compared to a net income of USD 35.3 million in the previous quarter.

Other comprehensive income of a positive USD 0.1 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 positive USD 3.4 million in the first quarter 2014.

Year to date 2014 versus Year to date 2013

From a financial statements perspective, the closure of operations in Brazil are construed as "discontinued operations" and as such have been reported separately from the "continuing business activities". In order to present the discontinued operations separately, an allocation of income and costs arising from Brazilian operations has been made and all periods presented have been reclassified to reflect these adjustments. On an overall basis, there is no restatement of results in the prior periods presented and only a split of continuing and discontinued operations has been made in these interim financial statements.

Panoro Energy reported a net loss of negative USD 7.8 million from continued operations for first half 2014, compared to negative USD 23.3 million in the same period in 2013. The decline in net loss from continuing operations was primarily driven by lower interest costs in the current period due to 2014.

Exploration related costs amounted to USD 0.6 million, up from USD 0.2 million in six months to June 30, 2013. The increase is a direct correlation to the advancement of both Aje and Dussafu through their respective development phases.

Strategic review costs in the current period amounted to USD 0.1 million representing identifiable overheads incurred on the ongoing process. These costs are of a one-off nature and will discontinue once this process is concluded.

Severance and restructuring costs represent USD 0.4 million and are primarily arising from closure of Brazil office. The overall costs of severance has been allocated between both continuing and discontinued activities in order to align some of core head functions which were historically undertaken from Brazil office.

General and administration costs decreased to USD 2.8 million in the six months to June 2014, compared to USD 3.2 million in the same period of 2013. The reduction is due to an ongoing cost reduction programme undertaken by management.

Depreciation decreased marginally by USD 9 thousand to USD 40 thousand during the period from USD 49 thousand in the first six months of 2013.

This generated an EBIT from continuing operations of negative USD 3.9 million in the six months to June 30, 2014, compared to negative USD 5.6 million in the previous year.

Net financial items amounted to a negative USD 3.9 million in the six months to June 30, 2014, including net interest and redemption costs of USD 12.6 million, net other financial costs of USD 0.1 million offset by the reversal of the effects of re-measurement of bond liability USD 8.7 million and a net foreign exchange gain of USD 0.1 million.

This compared to net financial items of a negative USD 17.7 million in the six months ended June 30, 2013, including net interest costs of USD 8.3 million, the effects of re-measurement of bond liability USD 12.0 million and a net foreign exchange gain of USD 2.6 million.

Loss before tax from continuing operations was USD 7.8 million for the period ended June 30, 2014, compared to USD 23.3 million in the same period of 2013.

The net loss from continuing operations was USD 7.7 million in the first six months of 2014, compared to a net loss of USD 23.3 million for the same period of 2013.

Discontinued operations for the first half generated USD 39.7 million compared to USD 10.4 million in the comparative period. The results for half year ended June 30, 2014 mainly represent gain on sale of shares in Rio das Contas compared to the operating income from operations in Brazil in the comparative period.

Net income / (loss) for the period ended June 30, 2014 was positive USD 31.9 million compared to negative USD 12.5 million for the period ended June 30, 2013.

Other comprehensive income of a positive USD 3.5 million reflects translation of Brazilian subsidiaries for reporting purposes. The movement was a result of BRL strengthening against USD during the year to June 2014. In the previous year to June 2013, other comprehensive income was a negative USD 12.5 million.

Statement of financial position review

Movements to June 30, 2014 from March 31, 2014

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

Non-current assets

Non-current assets amounted to USD 98.5 million at June 30, 2014, an increase of USD 2.5 million from March 31, 2014.

Licences and exploration assets amounted to USD 98.4 million, an increase of USD 2.5 million since March 2014. The main reason for the increase was the continued push towards full development on both Aje and Dussafu.

Property, furniture, fixtures and equipment was USD 0.1 million declining from USD 0.2 million at March 31, 2014. The decline can be part explained by write downs due to the Brazil office closure at the end of June 2014.

Current assets

Current assets amounted to USD 63.0 million per June 30, 2014, compared to USD 190.7 million per March 31, 2014.

Trade and other receivables stood at USD 3.0 million, an increase from USD 0.9 million at the end of March 2014. The main increase in receivable is the balance of Aje development cash calls prepaid during the period against FID expenditure. Cash and bank balances stood at USD 60.1 million per June 30, 2014, an increase from USD 9.7 million per March 31, 2014. Restricted cash was nil at June 30, 2014, a decrease from USD 180.0 million at March 31, 2014 following the completion of the sale of the Company's subsidiary Rio das Contas to Geopark and subsequent repayment of the Bond.

Equity

Equity amounted to USD 153.8 million per June 30, 2014, compared to USD 157.1 million at the end of March 2014. The change reflects the loss for the period. The equity ratio was 95% at the end of June 2014, increasing from 55% at the end of March 2014.

Non-current liabilities

Total non-current liabilities amounted to USD 4.4 million per June 30, 2014, unchanged from March 31, 2014 which represents a deferred tax liability arising on a business combination in 2010.

Current liabilities

Current liabilities amounted to USD 3.4 million at June 30, 2014, compared to USD 125.2 million at the end of March 2014.

Current interest bearing debt (net of issue costs) including fair value adjustment was nil, compared to USD 123.4 million per the end of March 2014. This follows the completion of the sale of the Company's subsidiary Rio das Contas to Geopark and subsequent repayment of the Bond.

Accounts payable, accruals and other liabilities amounted to USD 3.4 million, an increase from USD 1.8 million at the end of March 2014. The increase is a result of increased development activities on both Aje and Dussafu as the assets head towards final investment decision.

Movements to June 30, 2014 from December 31, 2013

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

Non-current assets

Non-current assets amounted to USD 98.5 million at June 30, 2014, an increase of USD 3.6 million from December 31, 2013.

Licences and exploration assets amounted to USD 98.4 million, an increase of USD 3.6 million in the half year. The main reason for the increase was expenditure on 3D seismic data acquisition and reprocessing and costs incurred on preparation of Field Development Plan on both Aje and Dussafu.

Property, furniture, fixtures and equipment remained largely unchanged at USD 0.1 million and USD 0.2 million for June 30, 2014 and December 31, 2013 respectively.

Current assets

Current assets amounted to USD 63.0 million per June 30, 2014, compared to USD 57.7 million per December 31, 2013.

Trade and other receivables stood at USD 3.0 million, increasing from USD 1.0 million at the end of December 2013 due to an increase in the receivable balance of prepaid Aje development cash calls during the period.

Cash and bank balances stood at USD 60.1 million per June 30, 2014, an increase from USD 56.7 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 March 2014 and the subsequent settlement of the Bond to bondholders on April 4, 2014 effectively leaving the Company debt-free.

Assets classified as held for sale

Assets classified as held for sale was nil per June 30, 2014 following the completion of the sale of the Company's subsidiary Rio das Contas to Geopark.

Equity

Equity amounted to USD 153.8 million per June 30, 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 June 30, 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 3.4 million at June 30, 2014, compared to USD 124.2 million at the end of December 2013.

Interest bearing debt was nil per June 30, 2014 down from USD 123.4 million at the end of March following the settlement of the Bond to bondholders on April 4, 2014. Accounts payable, accruals and other liabilities amounted to USD 3.4 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 half 2014, in particular the 3D Seismic Acquisition on Dussafu.

Liabilities directly associated with assets classified as held for sale

Liabilities directly associated with assets classified as held for sale was nil per June 30, 2014 down from USD 14.4 million per December 31, 2013, following the completion of the sale of the Company's subsidiary Rio das Contas to GeoPark.

Funding

Cash and bank balances amounted to USD 60.1 million at June 30, 2014. Following the completion of the sale of the Company's subsidiary Rio das Contas to Geopark and subsequent full repayment of the bond on April 4, 2014, the Company was left debt-free.

Risks & uncertainties

Financial risks & uncertainties

The Company is exposed to credit risk that arises from cash and cash equivalents, derivative financial instruments and deposits in money-market and fixed income funds with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Any credit losses incurred by the Company may have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

The Company operates internationally and is exposed to risk arising from various currency exposures, primarily with respect to the Norwegian Kroner (NOK), the US dollar (USD) and the Brazilian Real (BRL).

Because the Company reports its consolidated results in USD, any change in exchange rates between its operating subsidiaries' functional currencies and the USD affects its consolidated income statement and balance sheet when the results of those operating subsidiaries are translated into USD for reporting purposes. Decreases in the value of its operating subsidiaries' functional currencies against the USD tend to reduce those operating subsidiaries' contributions in USD terms to the Company's business, financial condition, results of operations and cash flow.

In addition to currency translation risk, the Company is exposed to fluctuations in the currencies in which its costs and expenses are incurred. Decreases in the value of its operating subsidiaries' functional currencies against other currencies in which costs and expenses are incurred will increase operating subsidiaries' costs and expenses and negatively impact their operating margins.

The nature of the Company's industry is subject to considerable price volatility, over which the Company holds little control, and a material decline in commodity prices could result in a decrease in our production revenue. To manage this risk, the Company strives to keep a balance between fixed and floating price contracts; however there can be no assurance that such measures are sufficient to mitigate this risk. A decline in commodity prices may as a consequence materially and adversely affect the Company's business, financial condition, results of operations and cash flow.

The Company will in certain situations need to obtain consents and approvals from governmental authorities and other third parties in connection with change of ownership and corporate restructurings. A number of the Company's contracts have change of control or pre-emption clauses. There can be no assurance that such consents will be granted, or that they will be granted free of conditions, in each case.

Operational risks & uncertainties

The development of oil and gas fields in which the Company is involved is associated with technical risk, reservoir performance, alignment in the consortiums with regards to development plans and on obtaining the necessary licenses and approvals from the authorities. Such operations might occasionally lead to cost overruns and production disruptions, as well as delays compared to the plans laid out by the operator of these fields. Furthermore, the Company has limited influence on operational risk related to exploration success and development of industry cost.

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 processed 3D seismic on OML 113 is expected to be received by end of 1Q 2015
- The processed 3D seismic data for Dussafu is expected to be received late 3Q or early 4Q
- Ongoing sales process

The Board of Directors

Panoro Energy ASA

Oslo, August 13, 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 JUNE 30, 2014

Q2 2013	Q1 2014	Q2 2014	*Amounts in USD 000*	Note	YTD 2014	YTD 2013
	(Unaudited)				*(Unaudited)*	
Continuing Operations						
-	-	-	Oil and Gas revenue		-	-
-	**-**	**-**	**Total revenues**		**-**	**-**
-	-	-	Production costs		-	-
(78)	(437)	(168)	Exploration related costs		(605)	(170)
(355)	(23)	(74)	Strategic review costs		(97)	(585)
-	(18)	(350)	Severance and restructuring costs		(368)	-
(1,387)	(1,202)	(1,549)	General and administrative costs		(2,751)	(3,186)
(1,820)	**(1,680)**	**(2,141)**	**EBITDA**		**(3,821)**	**(3,941)**
(1,667)	-	-	Gain / (loss) on sale of exploration and evaluation assets (net of tax)		-	(1,667)
(25)	(21)	(19)	Depreciation		(40)	(49)
-	-	-	Impairment		-	-
77	(37)	(38)	Share based payments		(75)	38
(3,435)	**(1,738)**	**(2,198)**	**EBIT - Operating income/(loss)**		**(3,936)**	**(5,619)**
(4,102)	(12,750)	188	Interest costs net of income	9	(12,562)	(8,283)
(4)	(54)	(21)	Other financial costs net of income		(75)	(7)
(11,967)	8,694	-	Effects of remeasurement of bond liability	9	8,694	(11,967)
1,217	75	14	Net foreign exchange gain/(loss)		89	2,567
(18,291)	**(5,773)**	**(2,017)**	**Income/(loss) before tax**		**(7,790)**	**(23,309)**
-	-	-	Income tax benefit/(expense)		-	-
(18,291)	**(5,773)**	**(2,017)**	**Net income/(loss) for the period from continuing operations**		**(7,790)**	**(23,309)**
Discontinued operations						
4,257	41,039	(1,381)	Net income / (loss) for the period from discontinued operations	4	39,658	10,384
(14,034)	**35,266**	**(3,398)**	**Net income / (loss) for the period**		**31,868**	**(12,925)**
(14,628)	3,369	134	Exchange differences arising from translation of foreign operations		3,503	(12,451)
(14,628)	**3,369**	**134**	**Other comprehensive income/(loss) for the period (net of tax)**		**3,503**	**(12,451)**
(28,662)	**38,635**	**(3,264)**	**Total comprehensive income/(loss) for the period**		**35,371**	**(25,376)**
			Net income /(loss) for the period attributable to:			
(14,034)	35,266	(3,398)	Equity holders of the parent		31,868	(12,925)
			Total comprehensive income/(loss) for the period attributable to:			
(28,662)	38,635	(3,264)	Equity holders of the parent		35,371	(25,376)
			Earnings per share (Note 5)			
(0.06)	0.15	(0.01)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		0.14	(0.06)
(0.08)	(0.02)	(0.01)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.03)	(0.10)

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

Certain amounts shown here do not correspond to the previously published quarterly information and reflect adjustments made for disclosure of discontinued operations, refer Note 4.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2014

Amounts in USD 000	Note	June 30, 2014	March 31, 2014	December 31, 2013
		(Unaudited)	*(Unaudited)*	*(Audited)*
Non-current assets				
Licenses and exploration assets	6	98,383	95,874	94,755
Property, furniture, fixtures and office equipment		119	175	189
Deferred tax assets		-	-	11,899
Total Non-current assets		**98,502**	**96,049**	**106,843**
Current assets				
Trade and other receivables		2,963	924	969
Cash and cash equivalents	7	60,081	9,702	54,152
Restricted cash	7	-	180,027	2,604
Total current assets		**63,044**	**190,653**	**57,725**
Assets classified as held for sale		-	-	96,856
Total Assets		**161,546**	**286,702**	**261,424**
Equity				
Share capital	8	56,333	56,333	56,333
Other equity		97,439	100,758	62,115
Equity attributable to equity holders of the parent		**153,772**	**157,091**	**118,448**
Non-current liabilities				
Deferred tax liabilities		4,376	4,376	4,376
Total Non-current liabilities		**4,376**	**4,376**	**4,376**
Current liabilities				
Current interest bearing debt	9	-	123,394	118,912
Accounts payable, accruals and other liabilities		3,398	1,841	5,268
Total current liabilities		**3,398**	**125,235**	**124,180**
Liabilities directly associated with assets classified as held for sale		-	-	14,420
Total Liabilities		**7,774**	**129,611**	**142,976**
Total Equity and Liabilities		**161,546**	**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 JUNE 30, 2014

Q2 2013	Q1 2014	Q2 2014	*Amounts in USD 000* *(Unaudited)*	YTD 2014	YTD 2013
			Cash flows from operating activities		
(18,291)	(5,773)	(2,017)	Net (loss)/ income from continuing operations	(7,790)	(23,309)
3,613	52,825	(1,381)	Net (loss)/ income from discontinued operations	51,444	12,054
(14,678)	47,052	(3,398)	**Net (loss)/ income for the period before tax**	43,654	(11,255)
			Adjusted for:		
256	23	19	Depreciation	42	2,356
11,967	(8,694)	-	Effect of remeasurement of bond liability	(8,694)	11,967
-	173	201	Impairment and asset write-off	374	-
1,667	(53,759)	88	(Gain)/loss on disposal of subsidiary / assets	(53,671)	1,667
3,704	12,684	(188)	Net finance costs	12,496	7,620
70	9	37	Share-based payments	46	-
252	317	(981)	Foreign exchange gains/losses	(664)	(1,310)
3,105	1,935	1,947	Increase/(decrease) in trade and other payables	3,882	1,630
(940)	(3,175)	(119)	(Increase)/decrease in trade and other receivables	(3,294)	(774)
(608)	-	-	Taxes paid	-	(2,010)
4,795	**(3,435)**	**(2,394)**	**Net cash flows from operating activities**	**(5,829)**	**9,891**
			Cash flows from investing activities		
(8,114)	(2,534)	(723)	Investment in exploration, production and other assets	(3,257)	(18,856)
-	139,100	-	Proceeds from the disposal of subsidiary (net of costs)	139,100	-
(11,131)	-	-	Cash and cash equivalents classified as held for sale	-	(11,131)
(19,245)	**136,566**	**(723)**	**Net cash flows from investing activities**	**135,843**	**(29,987)**
			Cash flows from financing activities		
(9,321)	(78)	(762)	Net financial charges paid	(840)	(9,861)
-	-	(123,394)	Repayment of Bond	(123,394)	-
588	(177,423)	177,423	Movement in restricted cash balance	-	(6,707)
(8,733)	**(177,501)**	**53,267**	**Net cash flows from financing activities**	**(124,234)**	**(16,568)**
(3,835)	(80)	229	Effect of foreign currency translation adjustment on cash balances	149	(2,686)
(27,018)	**(44,450)**	**50,379**	**Change in cash and cash equivalents during the period**	**5,929**	**(39,350)**
58,291	54,152	9,702	Cash and cash equivalents at the beginning of the period	54,152	70,623
31,273	**9,702**	**60,081**	**Cash and cash equivalents at the end of the period**	**60,081**	**31,273**

The cash and cash equivalents above do not include restricted cash balance of USD 180.0 million as of March 31, 2014 (December 31, 2013: USD 2.6 million. There is no restricted cash balance at June 30, 2014. The accompanying notes form an integral part of these condensed consolidated financial statements.

Certain amounts shown here do not correspond to the previously published quarterly information and reflect adjustments made for disclosure of discontinued operations, refer Note 4.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
For the six months ended June 30, 2014 *Amounts in USD 000*	**Issued capital**	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Currency translation reserve**	**Total**
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 - Continuing Operations	-	-	-	(5,773)	-	-	(5,773)
Net income/(loss) for the period - Discontinued Operations	-	-	-	41,039	-	-	41,039
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**
Net income/(loss) for the period - Continuing Operations	-	-	-	(2,017)	-	-	(2,017)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(1,381)	-	-	(1,381)
Other comprehensive income/(loss)	-	-	-	-	-	134	134
Total comprehensive income/(loss)	-	-	-	(3,398)	-	134	(3,264)
Employee share options	-	-	(55)	-	-	-	(55)
At June 30, 2014 - (Unaudited)	**56,333**	**288,858**	**65,975**	**(214,114)**	**(37,647)**	**(5,633)**	**153,772**

	Attributable to equity holders of the parent						
For the six months ended June 30, 2013 *Amounts in USD 000*	**Issued capital**	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Currency translation reserve**	**Total**
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 - Continuing Operations	-	-	-	(5,018)	-	-	(5,018)
Net income/(loss) for the period - Discontinued Operations	-	-	-	6,127	-	-	6,127
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**
Net income/(loss) for the period - Continuing Operations	-	-	-	(18,291)	-	-	(18,291)
Net income/(loss) for the period - Discontinued Operations	-	-	-	4,257	-	-	4,257
Other comprehensive income/(loss)	-	-	-	-	-	(14,628)	(14,628)
Total comprehensive income/(loss)	-	-	-	(14,034)	-	(14,628)	(28,662)
Employee share options	-	-	70	-	-	-	70
At June 30, 2013 - (Unaudited)	**56,333**	**288,858**	**65,786**	**(168,960)**	**(37,647)**	**(37,643)**	**166,727**

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

Certain amounts shown here do not correspond to the previously published quarterly information and reflect adjustments made for disclosure of discontinued operations, refer Note 4.

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 West Africa. The unaudited condensed consolidated financial statements of the Group for the period ended June 30, 2014 were authorised for issue by the Board of Directors on August 13, 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. Furthermore, during 2Q the Company has taken a decision to cease all operations in Brazil and as such segment has been classified as a discontinued operation. Details of discontinued operations can be referred to in note 4. As such, the segment information for March 31, 2014 and June 30, 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.

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.

Q2 2013	Q1 2014	Q2 2014		YTD 2014	YTD 2013
	(Unaudited)		**OPERATING SEGMENTS - WEST AFRICA**	*(Unaudited)*	
			in USD 000		
(69)	(532)	(81)	EBITDA	(613)	(167)
(1,667)	-	-	Gain / (loss) on disposal of licenses	-	(1,667)
-	95,874	-	Segment assets excluding held for sale	100,325	55,533
-	-	-	Segment assets classified as held for sale	-	33,115
			CORPORATE		
			in USD 000		
(1,649)	(1,663)	(1,545)	EBITDA	(3,208)	(3,774)
25	23	26	Depreciation and amortisation	49	49
-	184,586	-	Segment assets excluding held for sale	56,192	60,440
			DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE		
			in USD 000		
4,257	41,039	(1,381)	Income / (loss) for the period from discontinued operations	39,658	10,384
-	6,242	-	Segment assets excluding held for sale	5,029	83,539
-	-	-	Segment assets classified as held for sale	-	91,865
			CONSOLIDATED		
			in USD 000		
(1,718)	(2,195)	(1,626)	EBITDA	(3,821)	(3,941)
25	23	26	Depreciation and amortisation	49	49
(1,667)	-	-	Gain / (loss) on disposal of licenses	-	(1,667)
4,257	41,039	(1,381)	Income / (loss) for the period from discontinued operations	39,658	10,384
-	286,702	-	Segment assets excluding held for sale	161,546	199,512
-	-	-	Segment assets classified as held for sale	-	124,980

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. Discontinued operations and disposals of shares in subsidiary

Subsequent to the sale of it's fully owned Subsidiary Rio das Contas, the Board of Directors have formally decided to exit Brazil and wind-down the operations. As a result, remaining licences in BS-3 area have been relinquished and abandonment plans have been filed with ANP. The office premises in Rio de Janeiro has also been closed with only key personnel managing the exit formalities on a transitional basis.

The Company intends to keep a low-cost corporate presence for its subsidiary Panoro Energy do Brasil Ltda, which is entitled to the contingent earn-out from GeoPark over the next four years.

As a result, the operations of Company's subsidiaries in Brazil have been classified as discontinued operations under IFRS 5. The results of Brazilian segment for the previous quarters have therefore been carved out of the operating results and presented below as discontinued operations:

Q2 2013	**Q1 2014**	**Q2 2014**		**YTD 2014**	**YTD 2013**
USD 000 - (Unaudited)				***USD 000 - (Unaudited)***	
9,484	10,393	-	Oil and gas revenue	10,393	22,209
9,484	**10,393**	**-**	**Total revenues**	**10,393**	**22,209**
(2,804)	(1,398)	-	Production costs	(1,398)	(4,020)
(39)	-	-	Exploration related costs	-	(163)
(165)	-	-	Strategic review costs	-	(165)
-	-	(242)	Severance and restructuring costs	(242)	-
(1,298)	(862)	(602)	General and administration costs	(1,464)	(2,604)
5,179	**8,134**	**(844)**	**EBITDA**	**7,290**	**15,257**
(231)	(2)	(1)	Depreciation	(3)	(2,307)
(121)	(173)	(201)	Impairment	(374)	(271)
(147)	28	93	Share based payments	121	(38)
-	45,433	(88)	Gain / (loss) on sale of subsidiary (note 4.1)	45,345	-
4,860	**53,420**	**(1,041)**	**EBIT - Operating income / (loss)**	**52,379**	**12,641**
661	527	41	Interest costs net of income	568	1,136
(259)	(46)	(20)	Other financial costs net of income	(66)	(466)
(1,469)	(162)	(361)	Net foreign exchange gain / (loss)	(523)	(1,499)
3,613	**53,739**	**(1,381)**	**Income / (loss) before tax**	**52,358**	**12,054**
644	(12,700)	-	Income tax benefit / (expense)	(12,700)	(1,670)
4,257	**41,039**	**(1,381)**	**Net income / (loss) for the period from discontinued operations**	**39,658**	**10,384**
0.02	0.17	(0.01)	Earnings per share – basic and diluted (USD) for the period from discontinued operations	0.17	0.04

In order to have consistency of results, certain costs have been allocated to continuing operations under general & administration costs and severance and restructuring costs for prior and current periods presented. Such adjustments were necessary to apportion realistic costs to continuing activities considering the shared roles of CFO and Investor relations personnel which were both based in Brazil over the past two years. Such allocation has been consistently applied in the current quarter and prior quarters that have been reclassified.

4.1. Disposal of 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 provisional net gain of USD 53.8 million (including 1Q results of USD 8.2 million) which has been recognised in the statement of comprehensive income under discontinued operations.

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.

5. Earnings per share

Q2 2013	Q1 2014	Q2 2014		YTD 2014	YTD 2013
(Unaudited)			***Amounts in USD 000, unless otherwise stated***	*(Unaudited)*	
(14,034)	35,266	(3,398)	Net profit / (loss) attributable to equity holders of the parent – Total	31,868	(12,925)
(18,291)	(5,773)	(2,017)	Net profit / (loss) attributable to equity holders of the parent - continuing operations	(7,790)	(23,309)
234,546	234,546	234,546	Weighted average number of shares outstanding - in thousands	234,546	234,546
(0.06)	0.15	(0.01)	Basic and diluted earnings per share (USD) - Total	13.6	(0.06)
(0.08)	(0.02)	(0.01)	Basic and diluted earnings per share (USD) – Continuing operations	(0.03)	(0.10)

Diluted earnings per share

The Group had 4,785,003 outstanding share options as of June 30, 2014 (March 31, 2014: 5,610,003 options and December 31, 2013: 5,816,673 options) that are potentially dilutive ordinary shares. As of June 30, 2013, 6,890,000 share options were outstanding.

6. License interests, exploration and evaluation assets

	Licence interest, exploration and evaluation assets
	USD 000
Net book value	
At January 1, 2014 *(Audited)*	94,755
Additions	3,628
Foreign currency translation adjustments	-
At December 31, 2014 *(Unaudited)*	98,383

7. Cash and bank balances

	June 30, 2014 *(Unaudited)* *USD 000*	December 31, 2013 *(Audited)* *USD 000*
Cash and cash equivalents	60,081	54,152
Restricted cash	-	2,604
Cash and bank balances at the end of the period	60,081	56,756

8. Share capital

The total number of ordinary shares in issue throughout the half year ended June 30, 2014 was 234,545,786 with a nominal value of NOK 342,547,498.77.

9. Interest bearing debt

	June 30, 2014		December 31, 2013	
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*
	USD 000	*USD 000*	*USD 000*	*USD 000*
Corporate	**Current**	**Non-current**	**Current**	**Non-current**
NOK denominated loan	-	-	26,838	-
USD denominated loan	-	-	83,381	-
Effects of re-measurement of bond liability	-	-	8,694	-
Total	-	-	118,913	-

The Company had entered into a sale agreement with GeoPark Holdings to sell its entire shareholding 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. A payment of USD 123.4 million was made on the same date to fully repay the debt obligations.

Since the redemption premium is recognised in the financial statements, the re-measurement effects of USD 8.7 million have been reversed in the statement of comprehensive income for the first quarter.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2014 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Endre Ording Sund
Chairman

Silje Christine Augustson
Board member

Tone Kristin Omsted
Board member

Bjørn Stadheim
Board member

Jan Kielland
Chief Executive Officer

Other information

Financial calendar

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
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

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

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