

Panoro Energy

Proposed Private Placement

9 February 2016

OSE ticker PEN



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Contents

- **Transaction summary**

- Asset portfolio
- Appendix
- Risk factors

Proposed Placement

Key Issue Information & Background

- Private placement of NOK 60-70 million through a book building process
- The Board of Directors will also consider to carry out a subsequent offering of new shares
- Capex largely on budget and funded through existing cash resources
- Management and Board find it prudent to increase liquidity ahead of reaching first oil on Aje and to strengthen the balance sheet against a backdrop of prevailing low oil prices

Use of Proceeds and Purpose

- General working capital purposes as Panoro reaches first oil lifting at Aje
- The additional capital after first oil is reached will be used to manage working capital fluctuations, and position Panoro for growth in both its current asset base and its expansion planning

Support

- Solid support received from existing shareholder base
- Members of the Board and Management are also subscribing in the Private Placement

Significant Headroom Once First Oil is Reached

- Panoro is currently debt free and the new equity raised is expected to be sufficient for the company to be fully funded for the foreseeable future
- Following first oil and lifting, debt financing may become available to support the growth of the group, and Panoro is in discussions with interested lenders
- Company will continue strategy of maintaining a strong balance sheet and strict capital discipline

Placement Details and Anticipated Timeline

Key Terms (For Further Details, See Term Sheet)

Offer Size and Structure	Private placement of NOK 60-70 million through a book building process. Subject to successful completion the Board of Directors will consider to carry out a subsequent offering of new shares
Offer price	To be determined through bookbuilding process
Bookbuilding period	Start: 9 February 2016 16:30 CET End: 10 February 2016 08:00 (Subject to change)
Allocation, Payment & Delivery	Allocation: On or about 10 February 2016 Payment: On or about 3 March 2016 Delivery: Following EGM approval and registration of the Shares
Conditions	All necessary corporate resolutions being made including EGM approval (expected held on or about 2 March 216) and payment being received for the New Shares Shareholders will by applying for shares in the Private Placement undertake to vote in favour of the Private Placement at the EGM for all shares held as registered with the VPS on 8 February 2016
Subsequent Offering	At Board's consideration towards shareholders as of 9 February 2016
Selling Restrictions	US: Only QIBs Customary selling restrictions apply
Documentation	Term Sheet, Application Agreement, Investor Presentation and available public information
Allocation	Sole discretion of Company, focus criteria (not limited to): timeliness, price leadership, order size, sector knowledge, perceived investor quality No allocation below NOK equivalent of EUR 100,000
Sole Bookrunner	Arctic Securities AS

Transaction Timeline

9 February 2016

- Books open

10 February 2016

- Books close
- Allocation and results announced
- Call for Extraordinary General Meeting

2 March 2016

- Extraordinary General Meeting to approve issuance of new shares

3 March 2016

- Payment date

On or about 7 March 2016

- New shares registered with Companies house
- Shares credited to investors via VPS¹. New Shares may trade under separate ISIN until approval of prospectus

By end of March 2016

- Expected approval of prospectus by the NFS²
- Potential launch of subsequent offering

1) Subject to timely payment and expeditious registration of the Share issue by the Norwegian Register of Business Enterprises

2) The Norwegian Financial Supervisory Authority

Investment Highlights

West Africa Focused E&P Company	<ul style="list-style-type: none"> ▪ E&P company focusing on high quality assets in West Africa ▪ Current assets located in attractive shallow water basins offshore Nigeria and Gabon
Lean, Experienced Organisation	<ul style="list-style-type: none"> ▪ Lean and efficient organisation (only 5 employees) ▪ Board and management with extensive experience from small and large cap E&P ▪ Solid support received from existing shareholder base
Attractive Assets Highly Geared to Oil Price Recovery	<ul style="list-style-type: none"> ▪ Near term cash flow with Aje field (Nigeria) planned on-stream by end of March 2016 <ul style="list-style-type: none"> – Aje Phase 1 development capex fully funded <ul style="list-style-type: none"> – Drilling phase now completed, capex largely on budget and funded through cash resources – Simple hook-up and commissioning in benign offshore environment – Targeted net production of ~1,100 boepd¹ – Initial field opex US\$ 20/bbl – Partner default risk significantly reduced as Afren (FHN) transferred its stake to field operator YFP at accretive deal metrics (equivalent to NOK 1.55/share²) in September 2015 ▪ Recent M&A activity in two analogous neighbouring blocks ▪ Additional proven gas and liquid resources in the potential Aje Phase 2 development adds substantial upside. Results from new license seismic expected in Q2 2016 ▪ Dussafu asset (Gabon) contains pre-salt discovered resources that offer additional value
Strong Balance Sheet With No Debt	<ul style="list-style-type: none"> ▪ No existing debt; banking facility possible post first oil, discussions ongoing ▪ Discussions with commodity traders ongoing for short term working capital facilities

1) Production based on Company estimates sourced from JV model. TRACS CPR Report, 25th July 2014 has assessed initial production rate of 11,000 bbls/day

2) Based on estimates sourced from press reports on the sale

Panoro Assets in Africa

Two Core Assets in West Africa With Discovered Resources Under Development and Significant Exploration Upside

Aje (Nigeria)¹

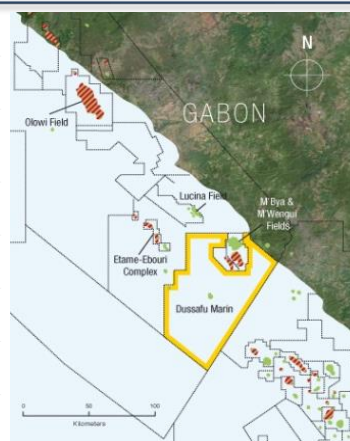
License	OML 113
Working Interest	6.502%
Paying Interest	16.255%
Revenue Interest	12.1913%
Operator	Yinka Folawiyo Petroleum (YFP)
Current Stage	Development
Net Reserves and Contingent Resources (mmboe):	
1P (Phase 1 only)	1.8
2P (Phase 1 only)	3.2
2C	28.6



Nigeria: OML 113, offshore Western Nigeria
Geologically part of the West African Transform Margin

Dussafu (Gabon)²

License	Dussafu Marin
Working Interest	33.33%
Operator	Harvest Natural Resources (66.67%)
Current Stage	Exploration and Development
Net Reserves and Contingent Resources (mmboe):	
1C	3.2
2C	6.8
3C	12.5



Gabon: Dussafu Permit, offshore Southern Gabon
Geologically in the West African pre-salt



1) From TRACS AGR Competent Persons' report 25th July 2014

2) GCA Contingent Resources Report 24th March 2014

Executive Management Team



John Hamilton, Chief Executive Officer has considerable experience from various positions in the international oil and gas industry. Most recently, John was Chief Executive Officer of UK AIM listed President Energy, a Latin American focused exploration company, which opened up a new onshore basin in Paraguay. Before joining President, John was Managing Director of Levine Capital Management, an oil and gas investment fund. He was also CFO of Imperial Energy, until its sale for over US\$ 2 billion in 2008. John also spent 15 years with ABN AMRO Bank in Europe, Africa, and the Middle East. The majority of his time with ABN AMRO was spent in the energy group, with a principal focus on financing upstream oil and gas. John has a BA from Hamilton College in New York, and an MBA from the Rotterdam School of Management and New York University



Qazi Qadeer, Chief Financial Officer is a Chartered Accountant with a Fellow membership of Institute of Chartered Accountants of Pakistan. Qazi joined Panoro at its inception in 2010 as Group Finance Controller. Previously he has worked for PWC in Karachi, Pakistan and briefly served as Internal audit manager in Pak-Arab Refinery before relocating to London, where he has spent more than five years with Ernst & Young's energy and extractive industry assurance practice; working on various projects for large and small oil & gas and mining companies. He has worked on several high profile projects including the divestment of BP plc's chemicals business in 2005 and IPO of Gem Diamonds Limited in 2006. He is a British citizen and resides in London, UK



Richard Morton, Technical Director has 25 years of experience in exploration, production, development and management in the oil and gas industry. Originally a highly qualified geophysicist, he has expanded his portfolio of skills progressively into operational and asset management. He has worked in a number of challenging contracting and operating environments, including as Centrica Energy's Exploration Manager for Nigeria. He has been with Panoro Energy since 2008 with responsibilities for project and technical management of Panoro's African exploration and development assets. Richard obtained a B.Sc. in Physics from Essex University in 1989 and went on to complete a M.Sc. in Applied Geophysics from the University of Birmingham the following year. He is a British citizen and resides in London, UK

Panoro Board of Directors (Non-Executive)



Mr. Julien Balkany, Chairman of the Board, is since 2008 the managing partner of Nanes Balkany Partners, a group of investment funds which primarily pursues active value investments in publicly traded O&G companies. Mr. Balkany has been since March 2015 a non-executive Director of Norwegian Energy Company ASA (Noreco), a Norwegian E&P company listed on the Oslo Stock Exchange. Mr. Balkany has been from May 2014 to July 2015 a non-executive Director of Gasfrac Energy Services Inc., a Canadian oil and gas fracking services company. From January 2009 to March 2011, Mr. Balkany served as Vice-Chairman and non-executive Director of Toreador Resources Corp., an oil and gas E&P company with operations in France, Turkey, Hungary and Romania. Mr. Balkany has been a Managing Director at Nanes Delorme Capital Management LLC, where he executed several hundred million dollars' worth of oil & gas M&A transactions. Before joining Nanes Delorme, Mr. Balkany worked at Pierson Capital and gained significant experience at Bear Stearns. Mr. Balkany studied at the Institute of Political Studies (Strasbourg) and at UC Berkeley



Ms. Alexandra Herger has 35 years of global experience in the upstream oil and gas industry. She most recently served as interim Vice VP of Global Exploration for Marathon Oil Corp. from April 2014 until her retirement the summer 2014. From 2008 to 2014, she was appointed Director of International Exploration and New Ventures for Marathon Oil Company. Before joining Marathon, Ms. Herger was at Shell E&P Company from 2002-2006. From 1998-2002, Ms. Herger was VP of the GoM for Enterprise Oil. Earlier, Ms. Herger held positions in Hess and ExxonMobil. Ms. Herger holds a Bachelor's degree in geology from Ohio Wesleyan University and post-graduate studies in geology from The University of Houston. Ms. Herger is a member of Leadership Texas, the Foundation for Women's Resources, and was on the advisory board of the Women's Global Leadership Conference in Houston, Texas from 2010 to 2013



Mr. Garrett Soden has worked with the Lundin Group of Companies since 2007 as a senior executive and board member. He is a director of Etrion Corporation, a Canadian solar power producer with assets in Italy, Chile and Japan. Mr. Soden is the former Chairman and Chief Executive Officer of RusForest AB, a Swedish forestry company focused on Russia. He is also the former Chief Financial Officer of both Etrion and PetroFalcon Corporation, a Canadian oil and gas company focused on Venezuela. Mr. Soden previously worked at Lehman Brothers in equity research and at Salomon Brothers in mergers and acquisitions. He also previously served as Senior Policy Advisor to the U.S. Secretary of Energy. Mr. Soden holds a BSc honors degree from the London School of Economics and an MBA from Columbia Business School



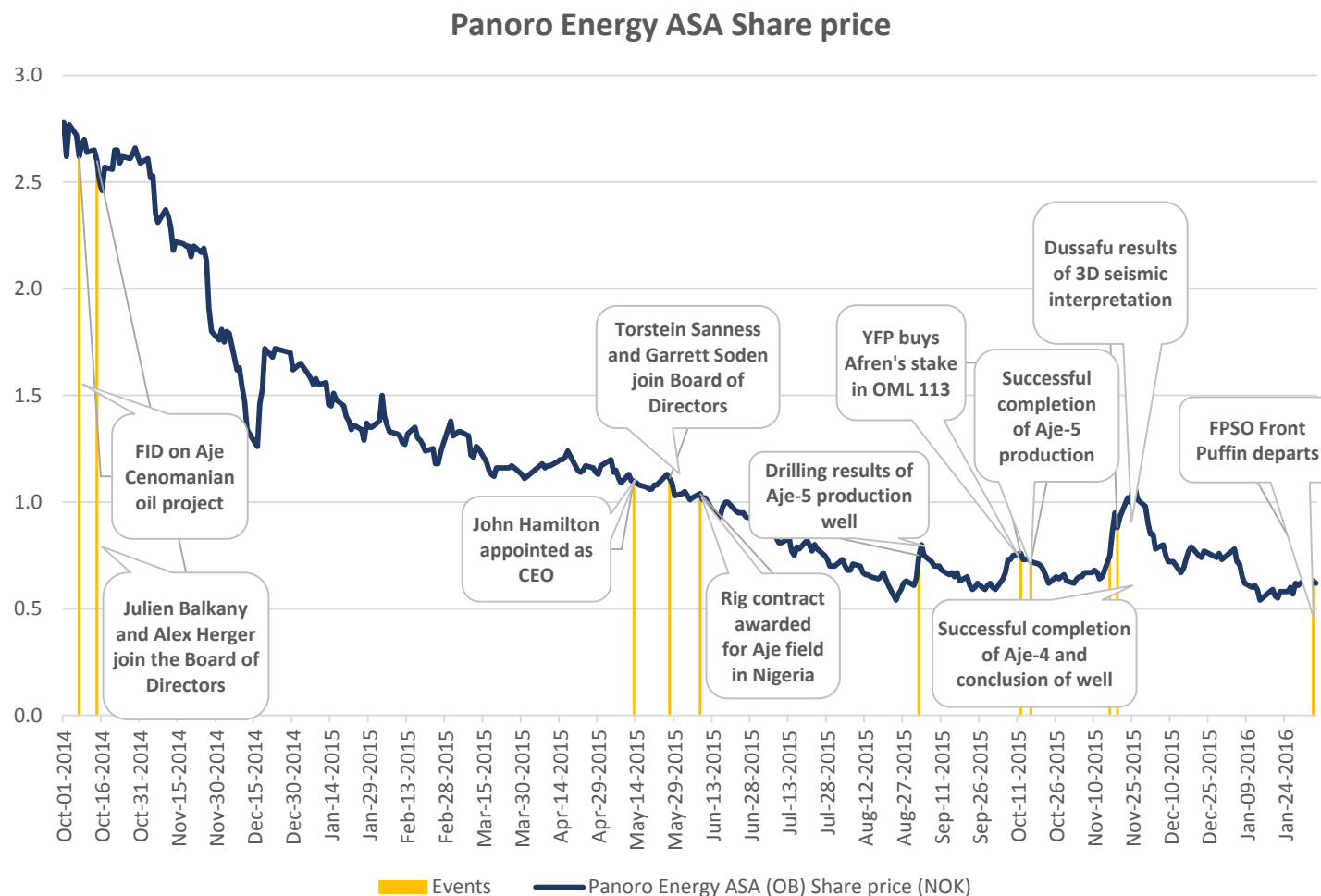
Mr. Torstein Sanness has extensive experience and technical knowledge in the oil and gas industry. Mr. Sanness became Chairman of Lundin Petroleum Norway ("Lundin Norway") in April 2015. Prior to this, he was Lundin Norway's Managing Director from 2004 to April 2015. Before joining Lundin Norway, Mr. Sanness was Managing Director of Det Norske Oljeselskap AS. From 1975 to 2000, he was at Saga Petroleum until its sale to Norsk Hydro and Statoil, where he held several executive positions in Norway as well as in the US, including being responsible for Saga's international operations and entry into Libya, Angola, Namibia, and Indonesia. Mr. Sanness is a graduate of the Norwegian Institute of Technology where he obtained a Master of Engineering (geology, geophysics and mining engineering)

Panoro's Share Price History

Events

- Board and management strengthened over the last 18 months
- Aje project progressed from FID and is now close to first oil
 - Two wells drilled
 - Modifications on FPSO completed

Panoro Energy ASA Share Price (NOK/share)



Top 10 Shareholders

#	Investor	Shares	%
1.	STOREBRAND FUNDS ¹	23,187,509	9.89 %
2.	KLP FUNDS ²	17,077,425	7.28 %
3.	EUROCLEAR BANK S.A (Nominee)	6,526,434	2.78 %
4.	JP MORGAN (Nominee) - NANES BALKANY PARTNERS & BALKANY INVESTMENTS ³	5,451,051	2.32 %
5.	NORDNET BANK AB (Nominee)	4,801,860	2.05 %
6.	NORDNET LIVFORSIKRING	3,928,519	1.67 %
7.	MP PENSJON PK	3,613,960	1.54 %
8.	TELINET ENERGI AS NIL	3,502,729	1.49 %
9.	KAMPEN INVEST AS	2,950,000	1.26 %
10.	Goldman Sachs Intl (Nominee)	2,948,948	1.26 %
Total top 10		73,988,435	31.55 %
Other		160,557,337	68.45 %
Total		234,545,772	100.00 %

Source: VPS as of 8 February 2016

1) Storebrand shares are held in two distinct funds, Storebrand Vekst & Verdipapirfondet, both via JP Morgan

2) KLP shares are held in KLP Aksje Norge VPF and Kommunal Landspensjon

3) Mr. Julien Balkany has beneficial interest in Nanes Balkany Partners I LP which owns 5,231,051 shares in the Company and Balkany Investments LLC which owns 220,000 shares in the Company shown above as JP Morgan

Corporate Strategy

Panoro is fully committed to creating shareholder value

Team Focused on

Project execution

Efficient and low cost operations

Assessing growth opportunities

Near Term Production at Aje

Positions company for growth

Leverage cash flow from Aje

Further value in OML 113

Dussafu in Gabon Provides

Existing discovered resource base

Material exploration upside



Panoro is on track to becoming a full cycle E&P company

Contents

- Transaction summary

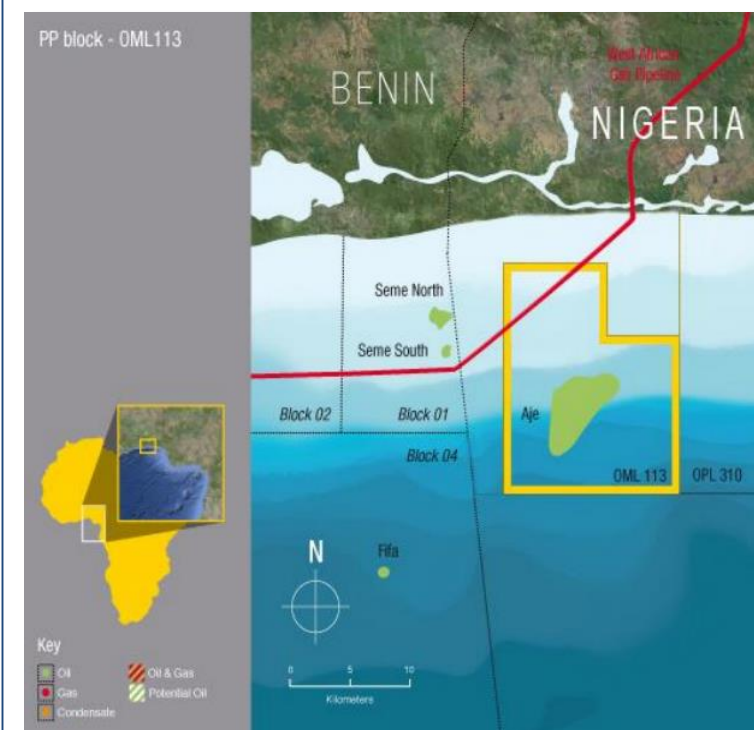
- **Asset portfolio**

- Appendix
- Risk factors

OML 113 Aje License Overview

History and Status

- Awarded to Yinka Folawiyo Petroleum (“YFP”) in 1991
- NewAge provides services under a Master Service Agreement
- Located in the western part of offshore Lagos and adjacent to the Benin border
- Aje field discovered in 1996
 - Water depths ranging from 100-1,500m
 - Discovery lies 24km from the coast
 - Close to West Africa Gas pipeline (12km) and Lagos (64km)
- March 2014: Aje Field Development Plan (FDP) approved
- October 2014: Final Investment Decision (FID) made
- Aje 5 and Aje 4 wells completed Q3/4 2015
- First oil expected in March 2016
- YFP purchases Afren/FHN stake (22.5% paying interest) in October 2015 for US\$ 35 million

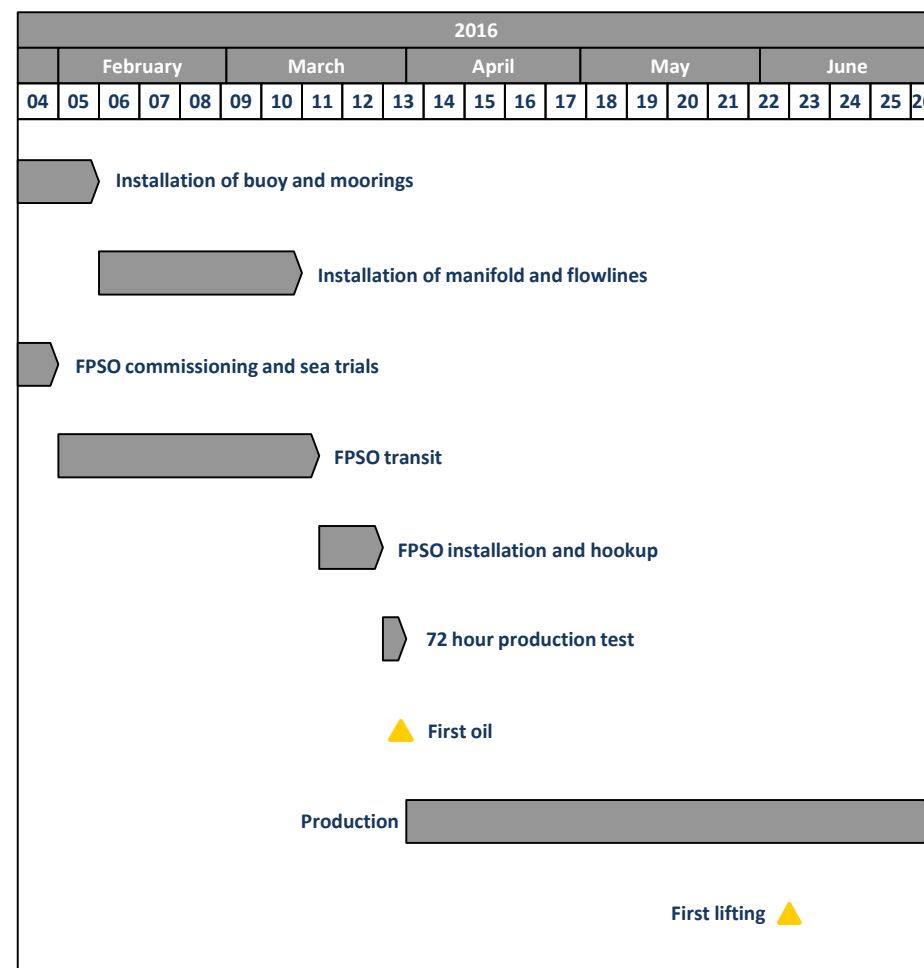


Operator	YFP
Working Interest	6.502%
Paying Interest	16.255%
Revenue Interest	12.193%
Other Partners	NewAge, EER, Jacka Resources

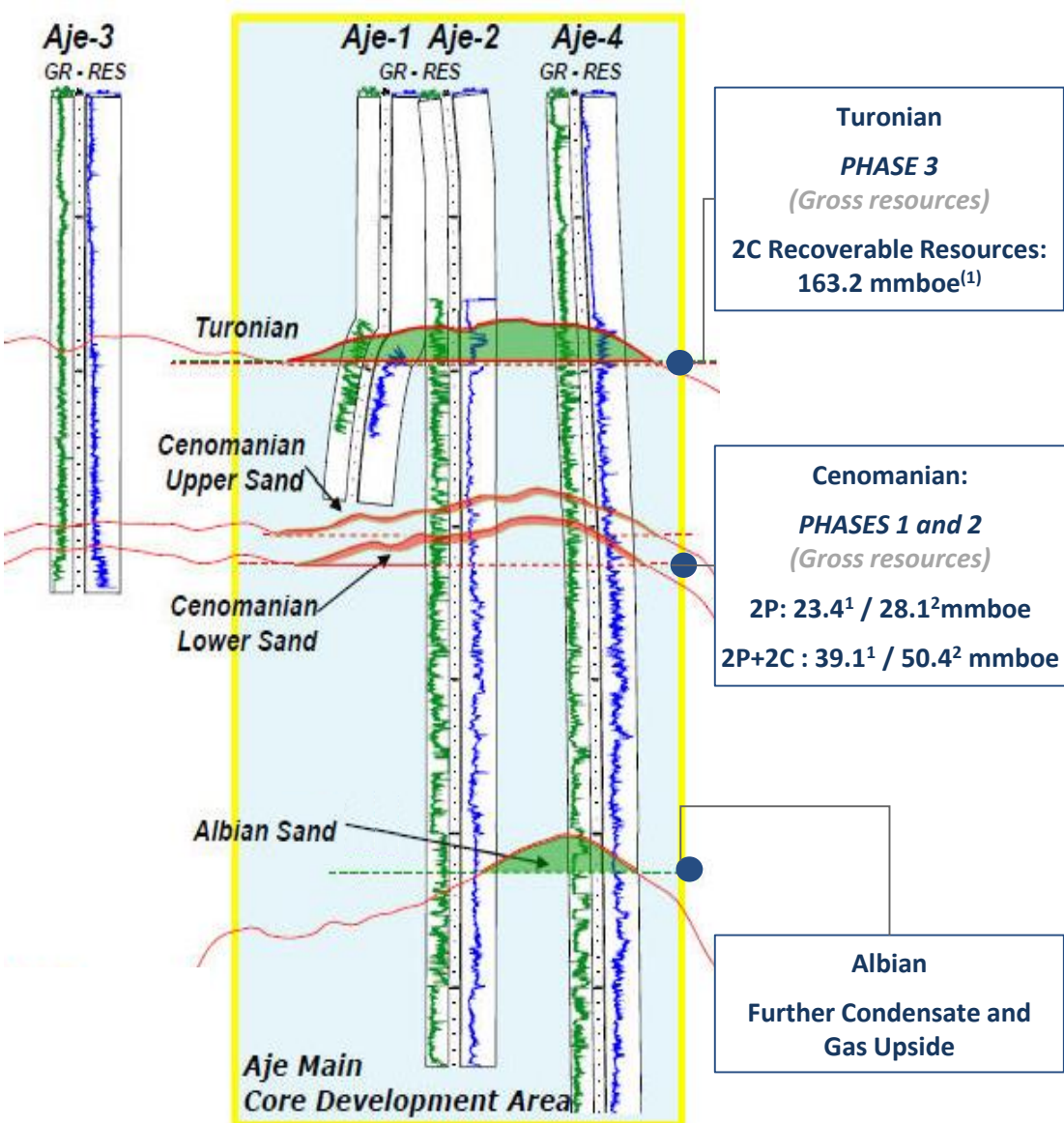
Aje Status

- The FPSO sailed from Singapore on 4 February 2016
- For the installation campaign, operations started in the field in January 2016, and the construction vessel commenced subsea installation activities on the field in early February 2016
- Topside FPSO hook up operations are scheduled to conclude towards the end of March 2016
- A 72 hour oil production test of the subsea and FPSO systems will be conducted in late March 2016
- On successful production the first oil certificate will be issued and the FPSO will continue normal operations

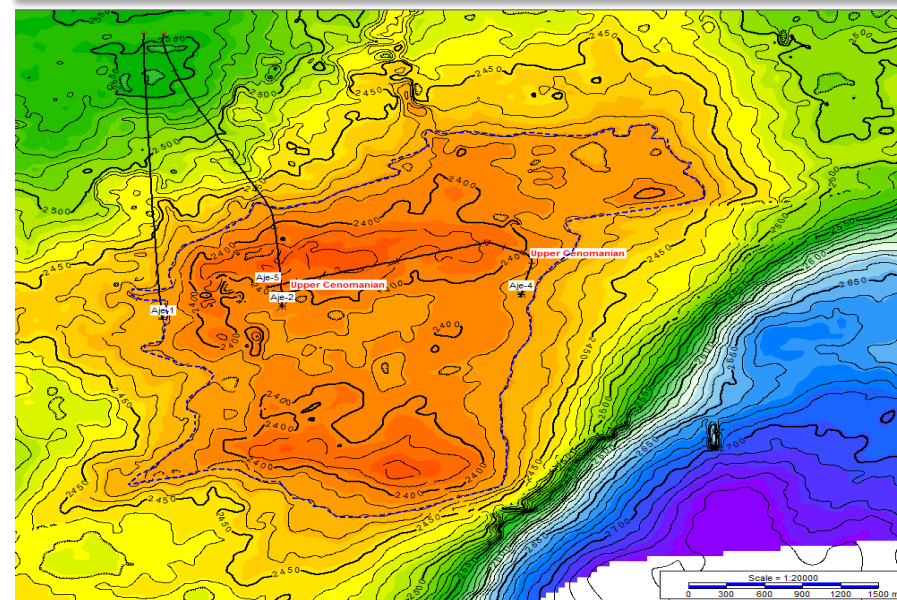
Timeline Until First Oil



OML 113 Aje Field



Aje Cenomanian Map



Historical Drilling Overview

Four vertically independent oil and gas / condensate columns:

- Aje-1: Oil and gas discovery well. Two gas tests in Turonian at 18 and 19 mmcfpd and Turonian oil test at 2,389 boepd
- Aje-2: Oil and gas encountered. Turonian gas test at 10 mmcfpd, oil test at 3,866 boepd and Upper Cenomanian oil tested at 3,743 boepd
- Aje-3: Poor reservoir quality encountered
- Aje-4: Oil and gas encountered, MDT data (Modular Formation Dynamics Tester) and fluid samples from Cenomanian – completed 2015
- Aje-5: Production well drilled in 2015, encountered oil and gas and favourable reservoir properties

1) TRACS CPR Report, 25th July 2014 (at 80 US\$/bbl)

2) Department of Petroleum Resources Nigeria approved P50 FDP, March 2014 (at 65 US\$/bbl)

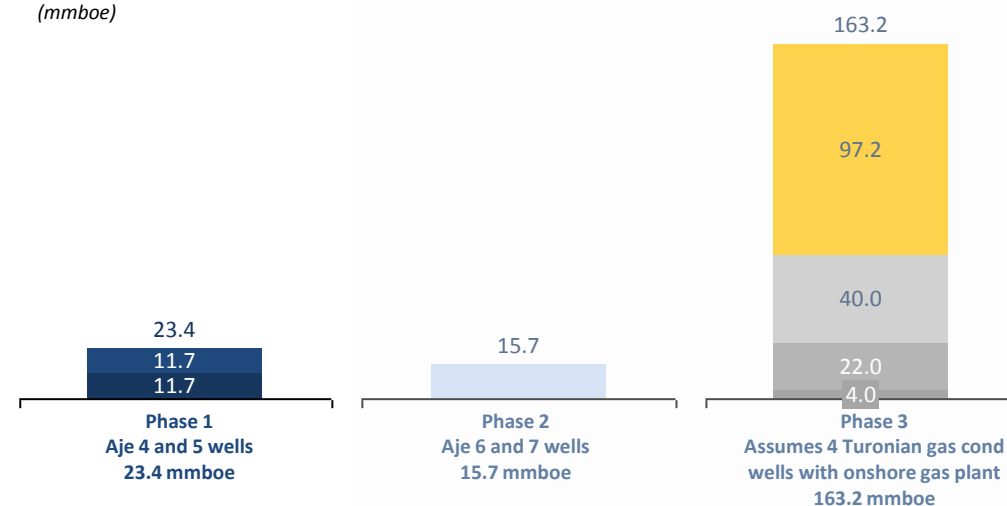
Aje Reserves and Contingent Resources

Comments

- Net entitlement barrels vary between 12.1913% and 16.255% due to carry arrangement embedded within Joint Venture Agreement

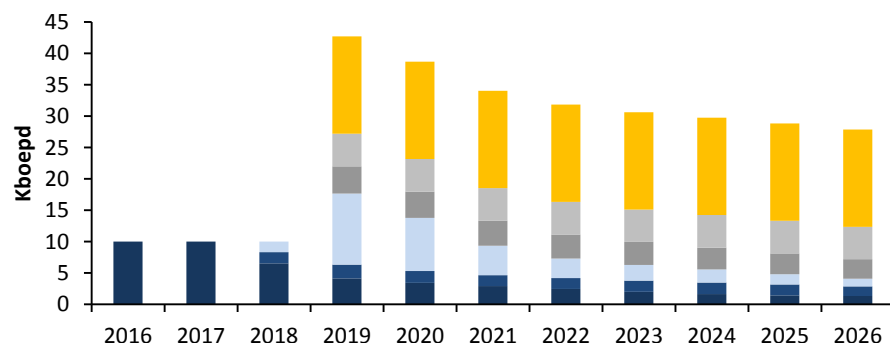
Gross Reserves & Resources

(mmboe)



Production Profile

(Gross, kboepd)

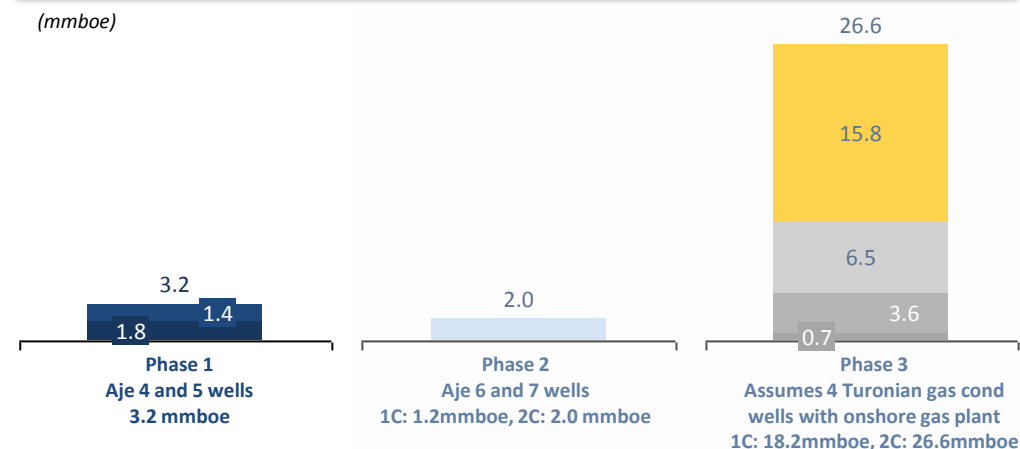


Legend for all graphs:



Net Reserves & Resources

(mmboe)

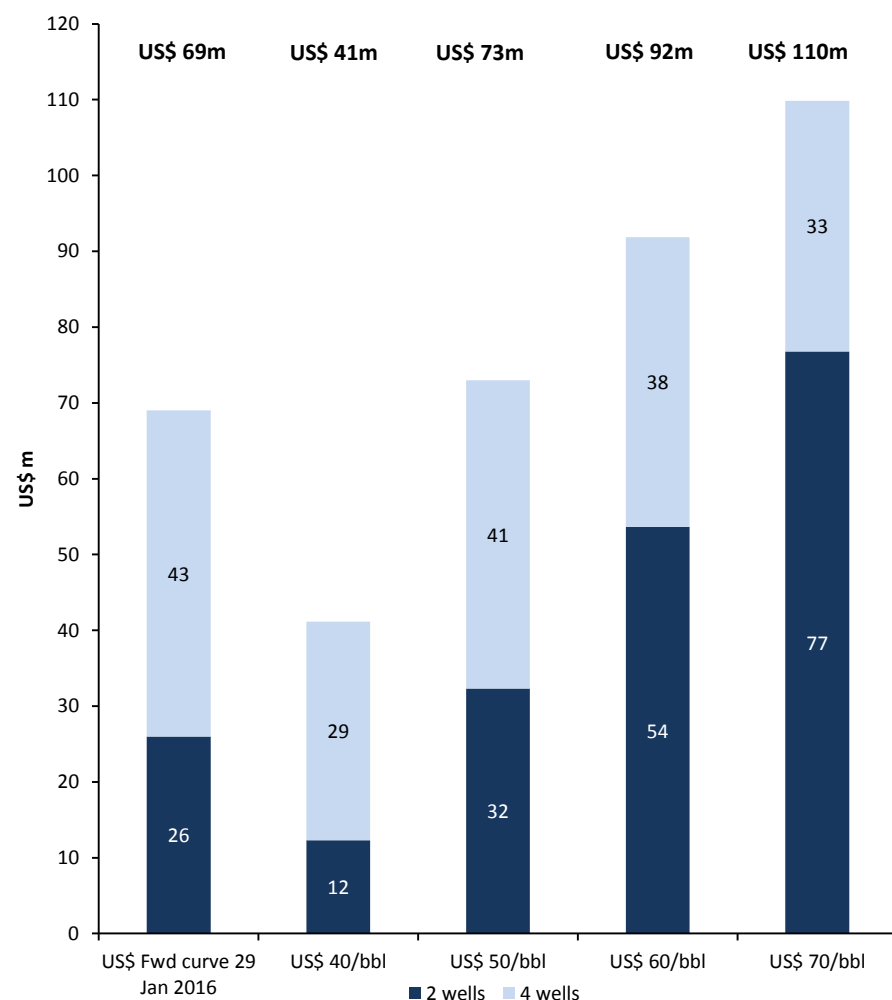


Financial Metrics - Aje Oil Development

Cenomanian Oil Development Only

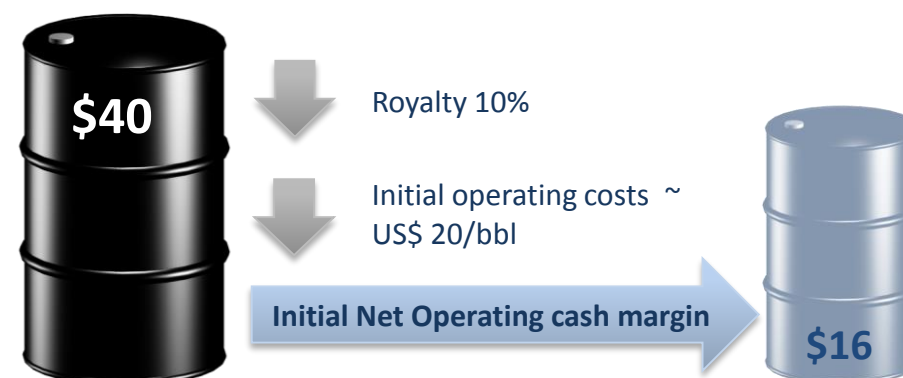
Aje Net Asset Value to Panoro¹

NPV 10% at First Oil



Phase 1 only, P50 Gross Initial Field OPEX est.

- Project has net operating cash margin of US\$ 16/bbl based on:
 - Brent Blend assumption of US\$ 40/bbl
 - 9,000 boepd IP
 - Initial Field OPEX = US\$ 20/bbl
 - Field Life OPEX = US\$ 29/bbl
 - 18.7 mmbbls² recovered



1) Company estimates sourced from JV model. Volumes based on field life economic cut-off at 40 US\$/bbl (flat nominal)

2) Panoro has 12.1913% revenue interest and 16.255% paying interest in Aje field

Aje New 3D Seismic

Interpretation underway

OML 113 Prospectivity

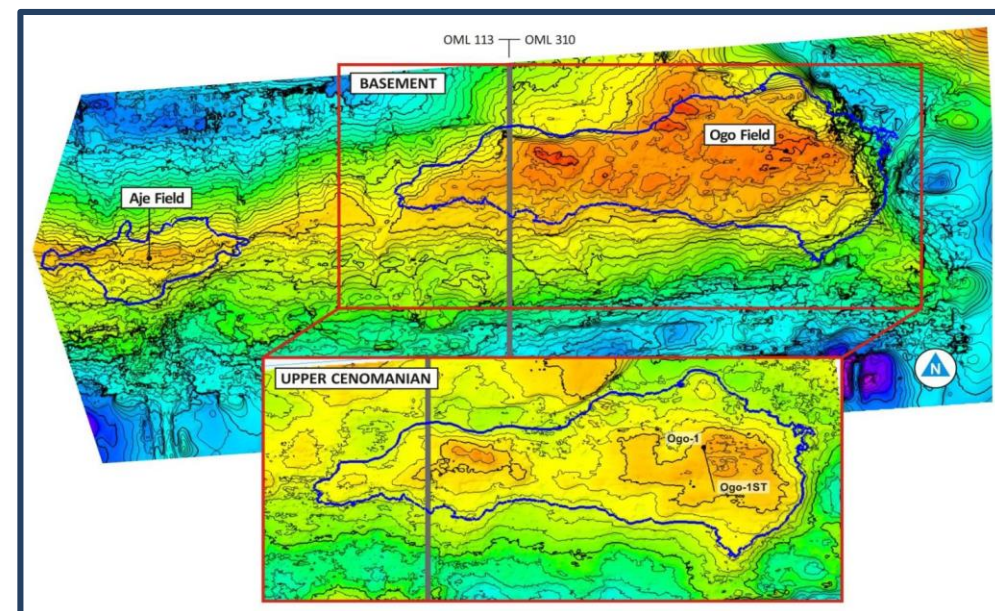
- 7 leads in post-rift middle cretaceous section identified from existing seismic data
- At least further 2 leads have been identified in syn-rift.

Ogo 2013 Discovery in Neighbouring OPL 310

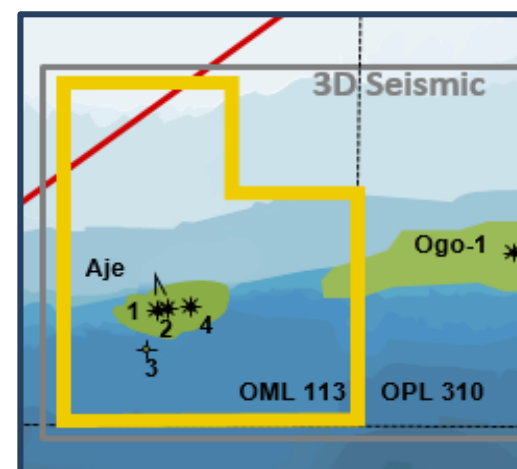
- Ogo-1 and Ogo-1ST were drilled on OPL310 in 2013. discovery reported to have P50 resources of 774 mmboe in Turonian – Cenomanian and syn-rift
- In order to unitise any OML 113 reserves in Ogo a delineation well would be required in OML 113

New 3D Seismic Data Status

- In late 2013, 1,000km² of 3D acquired in conjunction with OPL 310 license holders
- Interpretation of new 3D seismic data to quantify prospectivity in OML 113 underway



"Ogo Discovery". Source: Afren



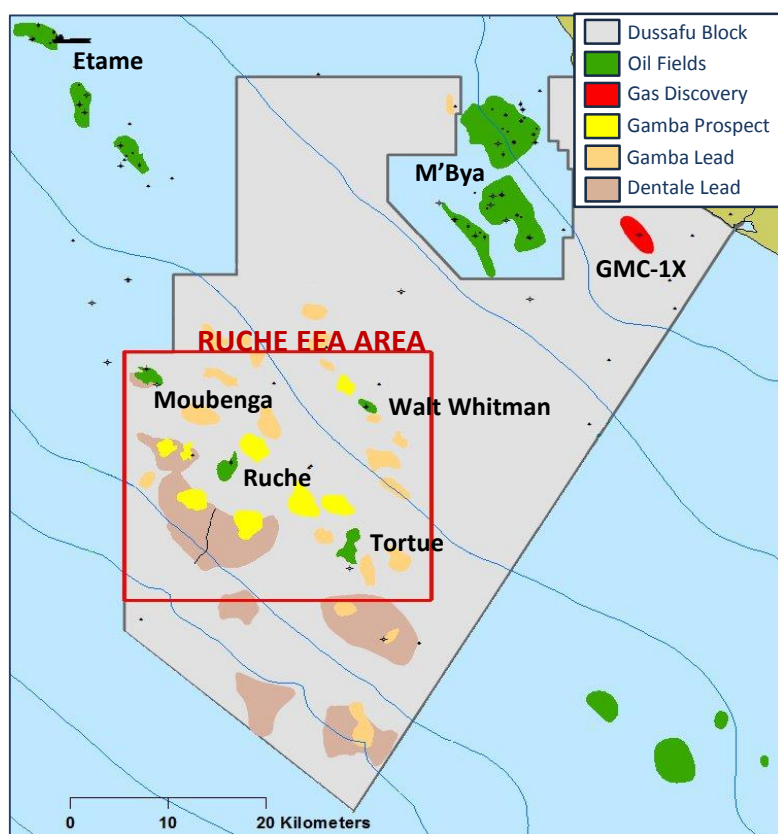
Area of coverage of New 3D

Dussafu

Large Exploration and Development Block with Multiple Discoveries and Prospects

Project Status

Operator	Harvest Natural Resources (66.67%)
Working Interest	33.33%
Other Partners	Back-in right for 10% working interest held by Affiliate of Tullow Oil
Current stage	Exploration and Development



Dussafu (Gabon)

Licenses

- 2,775km² license in Southern Gabon pre-salt fairway
- Five pre-salt discoveries (4 oil, 1 gas) with upside/appraisal potential
- Panoro's oil discoveries in Ruche (2011) and Tortue (2013) have demonstrated a step change in the success rate of identifying oil-bearing structures
- Gaffney Cline reports demonstrate commerciality of the discoveries with Economic Gross 2C Resources of 33.4 mmbbl

Activity

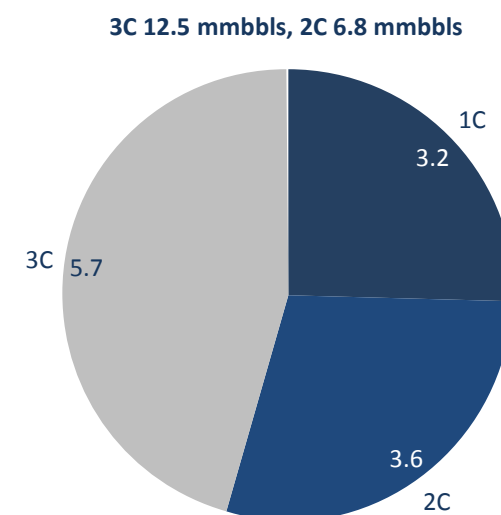
- Important milestones achieved in 2014 with Declaration of Commerciality and award of Exclusive Exploitation Authorisation
- Field Development Plan has been approved by the Government of Gabon, first oil required by mid 2018
- Following the 2013 outboard 3D seismic the block is now fully covered by 3D seismic data
- Outboard 3D seismic processing completed and interpretation on-going

Status of Dussafu Development

Ruche Development Options being refined

- EEA awarded 17th July 2014, Area of 850.5km² - Dussafu JV can exploit hydrocarbon resources in EEA area for up to 20 years
- Detailed development and production program approved (FDP) in October 2014 based on central FPSO with subsea tiebacks
 - At current oil prices the development project is challenged
 - Costs for services and equipment continue to fall in response to the lower oil price environment
 - Development variations could still result in an economically robust development program at prevailing oil prices
- Adding oil to existing discoveries would further improve economics
- Geophysical site survey recently completed over possible well locations within the EEA area to allow us respond should the macro environment improve by creating operational flexibility

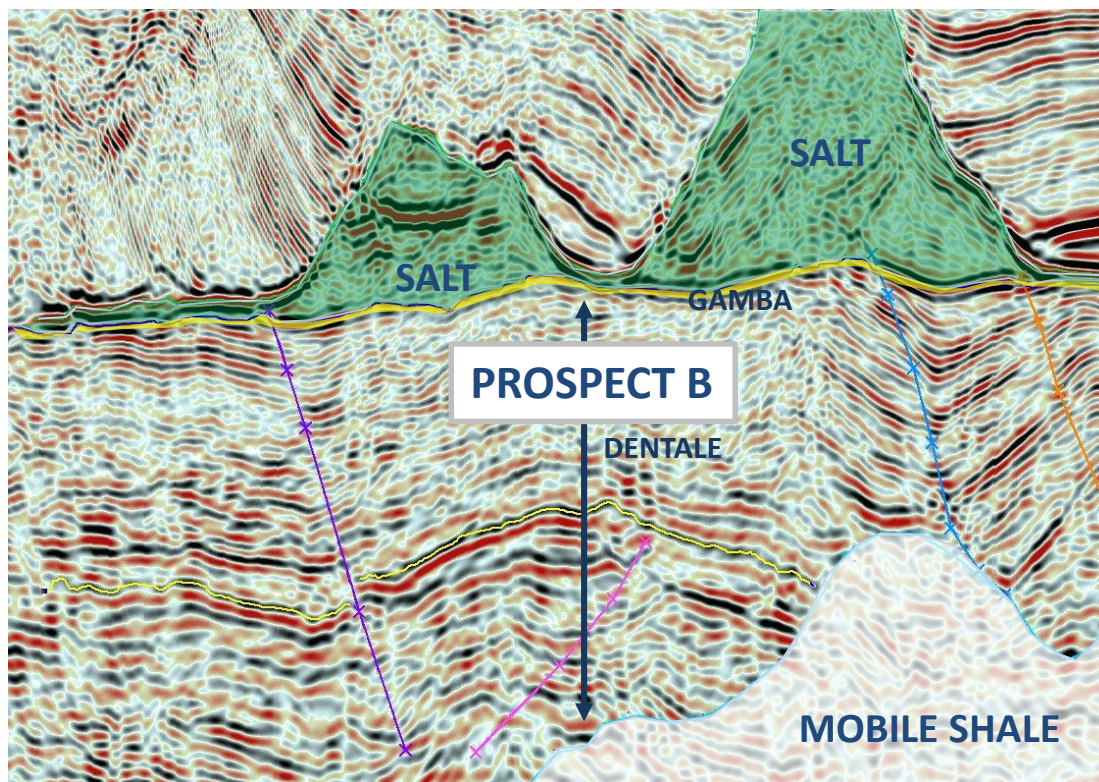
Net Contingent Resources¹



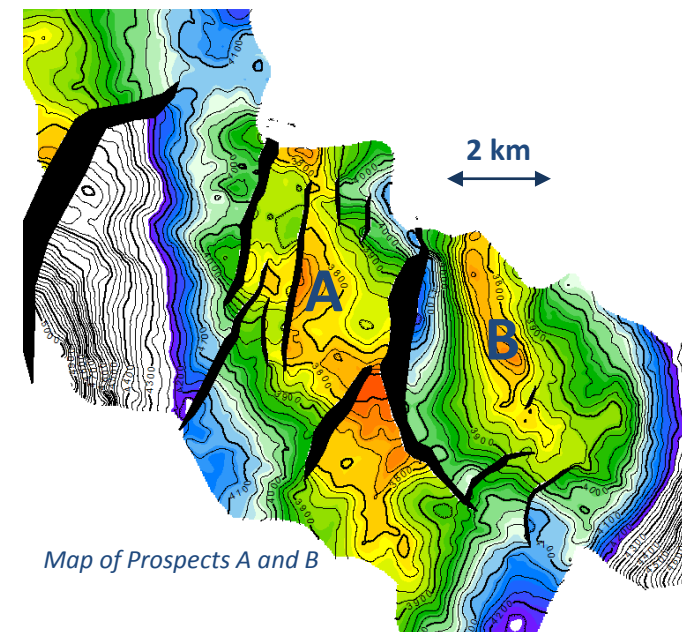
1) GCA Contingent Resources Report 24th March 2014

Exploration Plans

- 4 drill-ready sites for possible exploratory drilling in 2016
- All sites within existing Ruche EEA
- Rig tenders indicating competitive rates for suitable jackup drilling units
 - Dry hole costs likely to be around US\$ 20 million
- Continue to refine possible drilling plans



Seismic line through B



Map of Prospects A and B

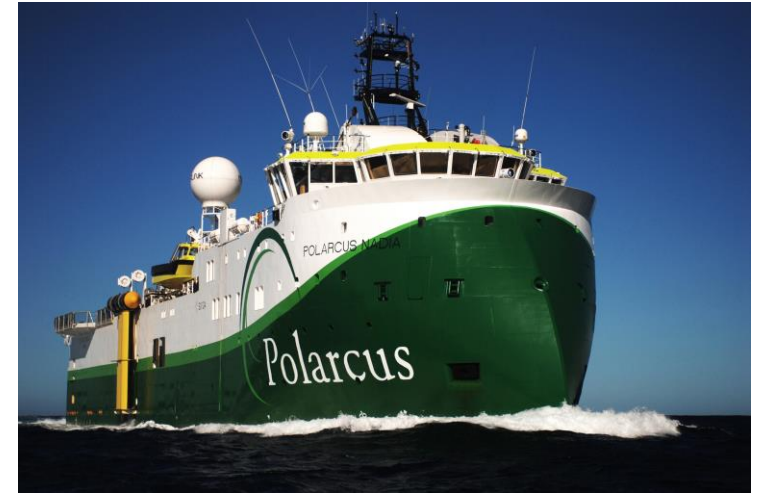
- Work on-going to enhance and de-risk prospects
- Gross unrisks prospective resources stand at over 1 billion barrels

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- Transaction summary
- Asset portfolio
- **Appendix**
- Risk factors

Dussafu Exploration Update

- Panoro has been exploring the Pre-salt section of Southern Gabon in the Dussafu license since 2008
- 2 wells drilled, 650km 2D seismic, 1,800km² 3D seismic acquired, seismic data re-processed
- The latest outboard 3D seismic is a high quality dataset revealing significant remaining potential in Dussafu
- Gabon pre-salt has recently revealed significant discoveries
- Panoro continues to be committed to unlocking the potential of the Gabon pre-salt



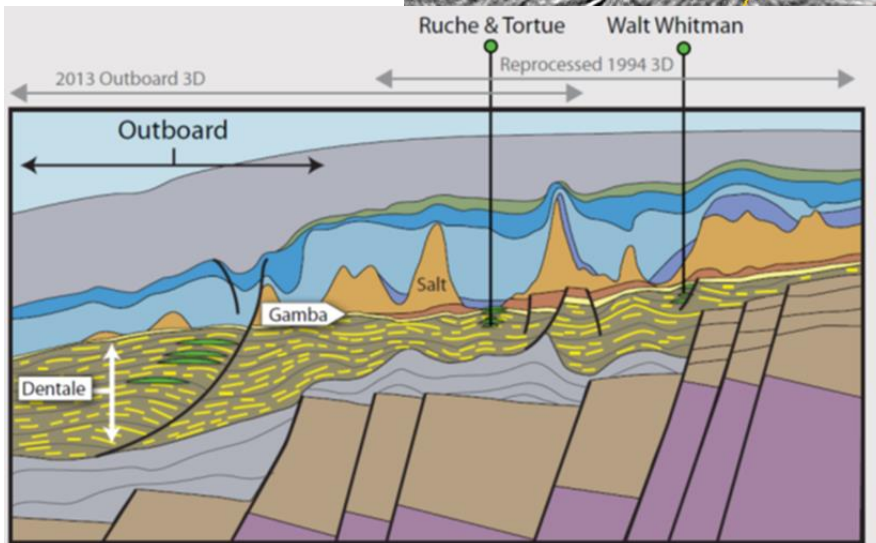
Seismic vessel used to acquire 3D seismic in 2013



Scarabeo 3 rig used to drill Tortue well in 2013

Dussafu Exploration Update

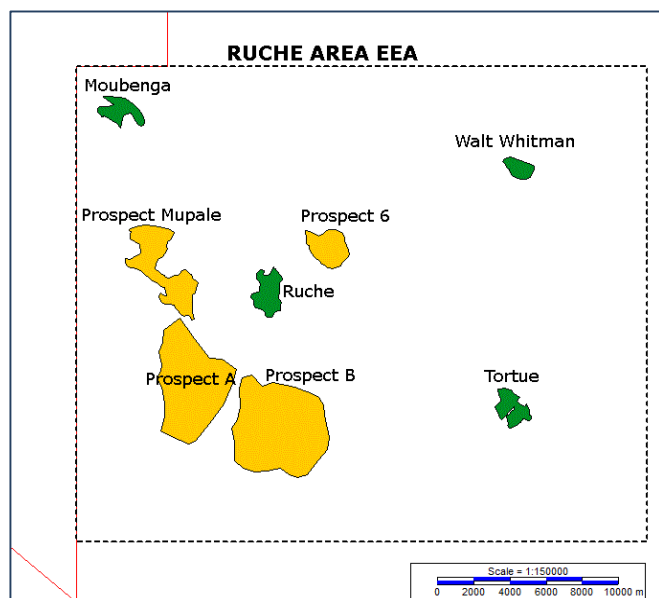
- New seismic products generated using the latest 3D seismic dataset
 - Reverse Time Migration – improved imaging of pre-salt structures
 - Seismic Inversion products – quantitative analysis
- Pre-salt geological models being refined
 - Structural evolution
 - Depositional setting
- The Dussafu Prospect Inventory is being revised and updated
 - New prospects identified
 - Existing prospects refined
 - Detailed risking and ranking of portfolio
- Geophysical site survey acquired over four prospects close to Ruche field in August 2015
- Preparations for possible 2016 exploration drilling underway
 - Jackup rig tender completed in October 2015



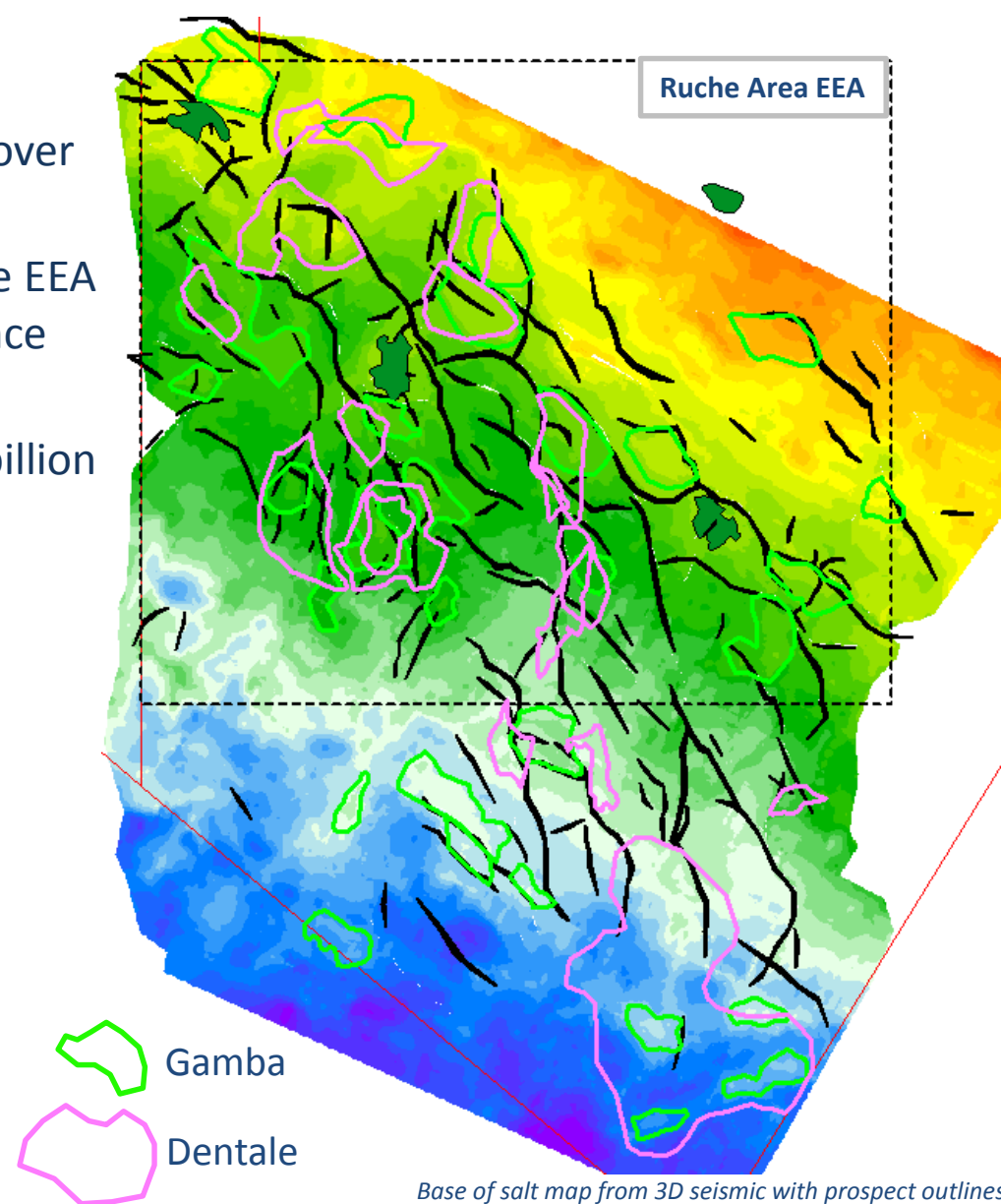
- Enhanced Pre-salt imaging
- Improved understanding of Dentale deposition
- More robust prospect inventory and larger structures

Prospect Inventory Revisions

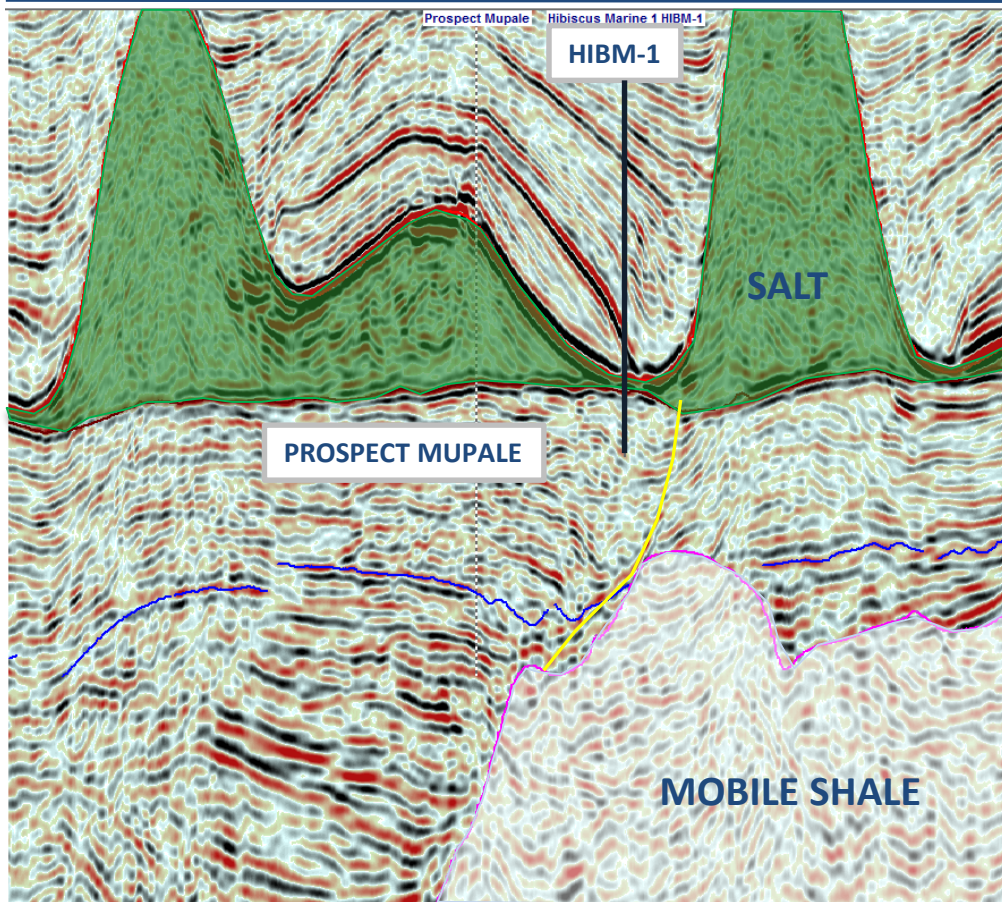
- In total 25 Gamba structures and 15 Dentale structures identified
- 11 robust prospects have been identified and over 20 leads
- The most attractive prospects are within Ruche EEA area and have potential for inclusion in FDP once drilled
- Prospect inventory currently stands at over 1 billion barrels gross unrisked prospective resources
- Four prospects matured into potential drilling targets



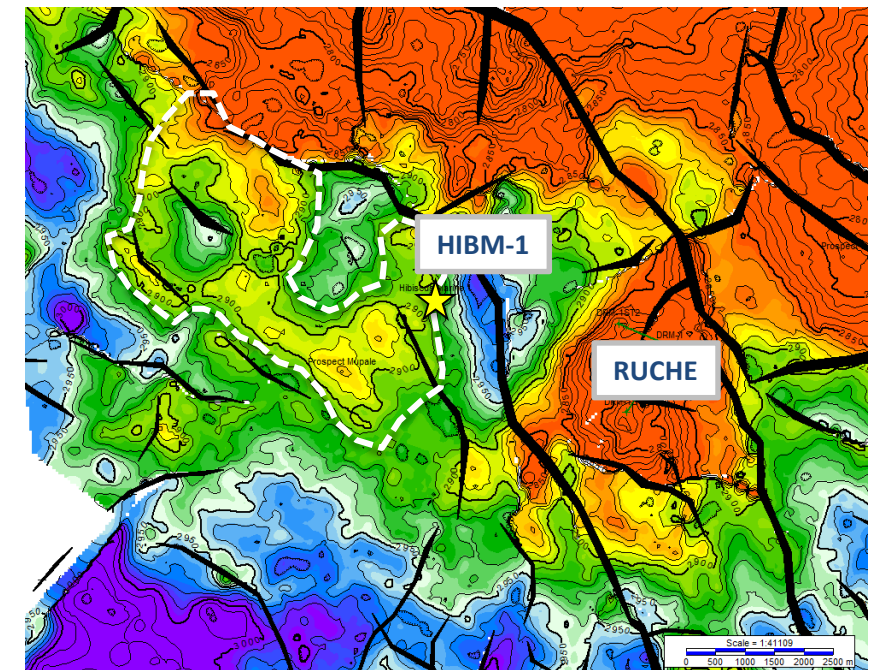
Four potential exploration targets covered by site survey



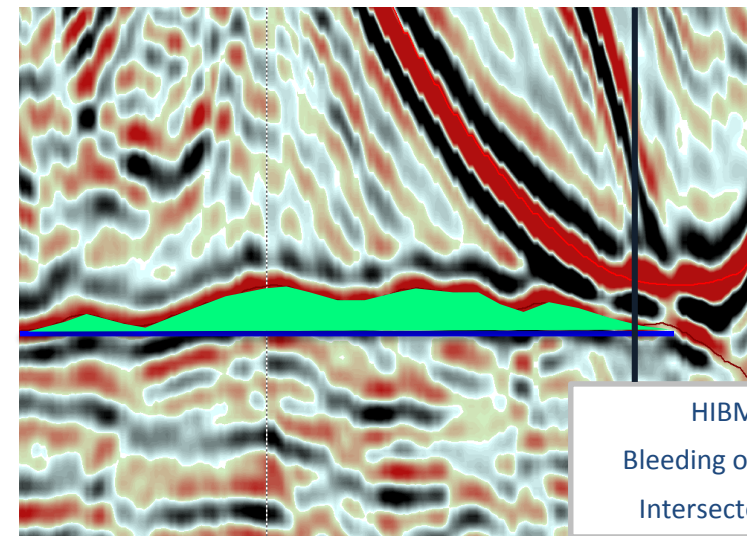
Dussafu Prospect Mupale – Low Risk Gamba



Seismic line through Mupale

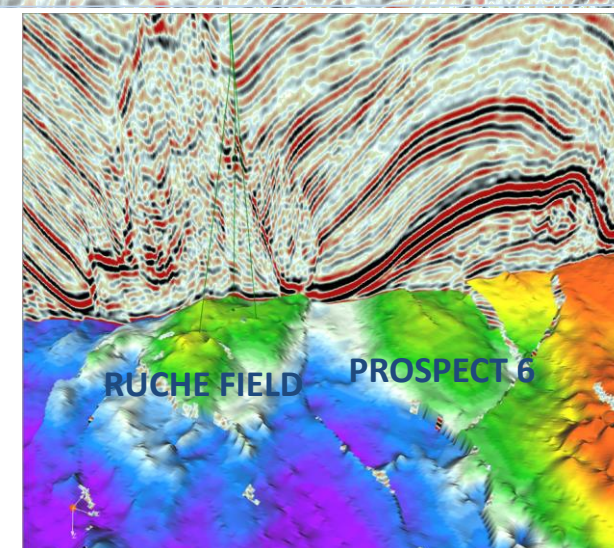
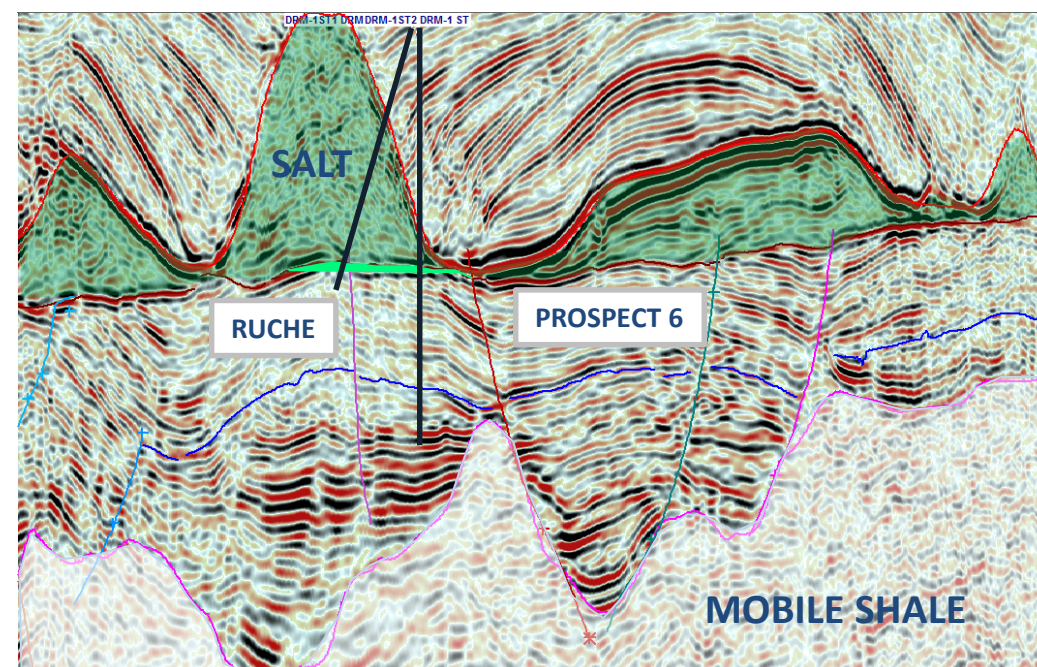
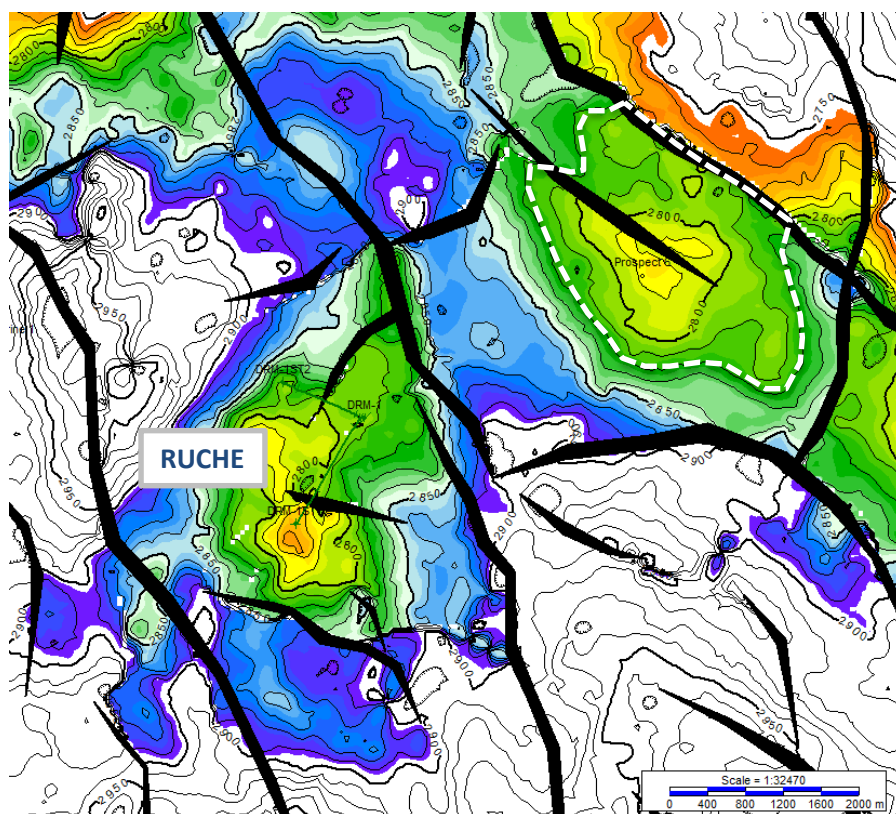


Map Ruche and Prospect Mupale



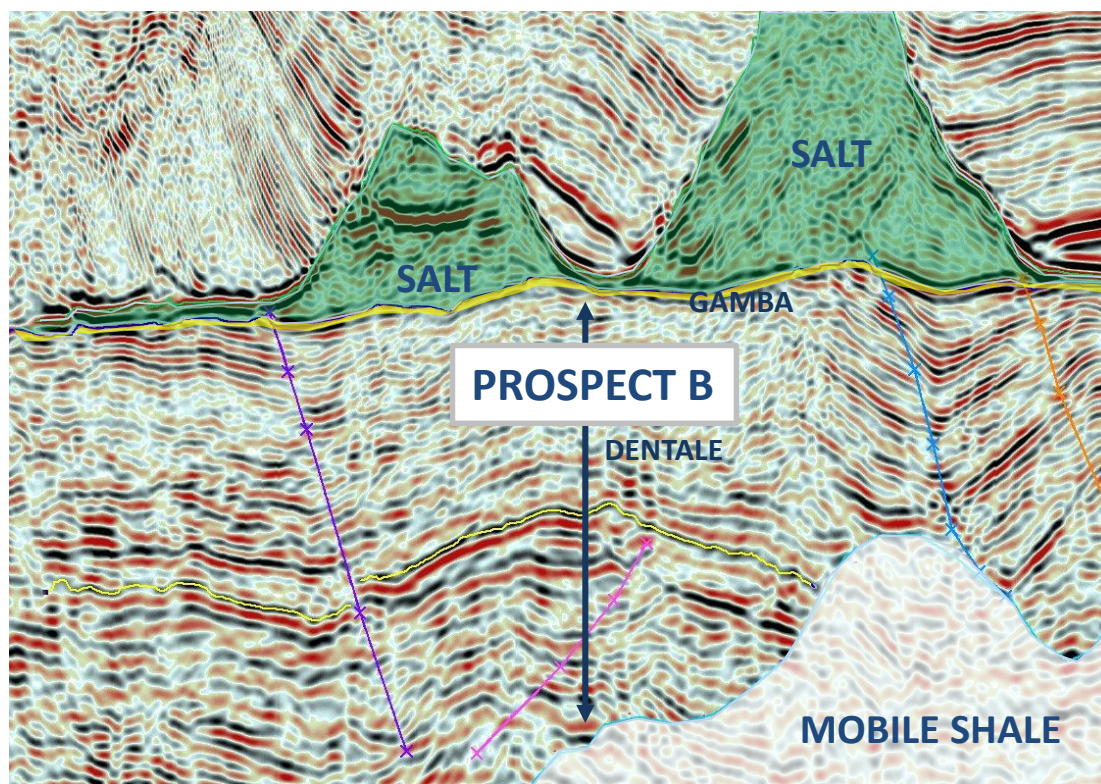
- Robust 4-way at Gamba level
- Critical risk trap presence & effectiveness
- Presence of oil in HIBM-1 well drilled by Arco in 1991
- 30m column updip of HIBM-1
- Gross unrisked Prospective resources P50 31 mmbbls

Dussafu Prospect 6 – Short tieback to Ruche

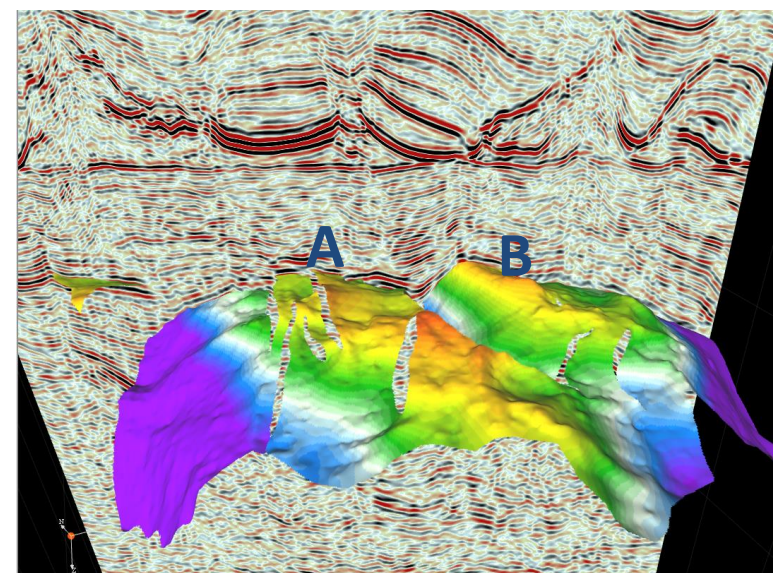


- Very robust prospect just 4 km north east of Ruche Field
- Gamba and Dentale show 4-way closure
- Good salt coverage and low seal risk
- P50 combined gross unrisked prospective resources of 27 mmbbls with high chance of success
- Straightforward tie-back to FPSO located at Ruche

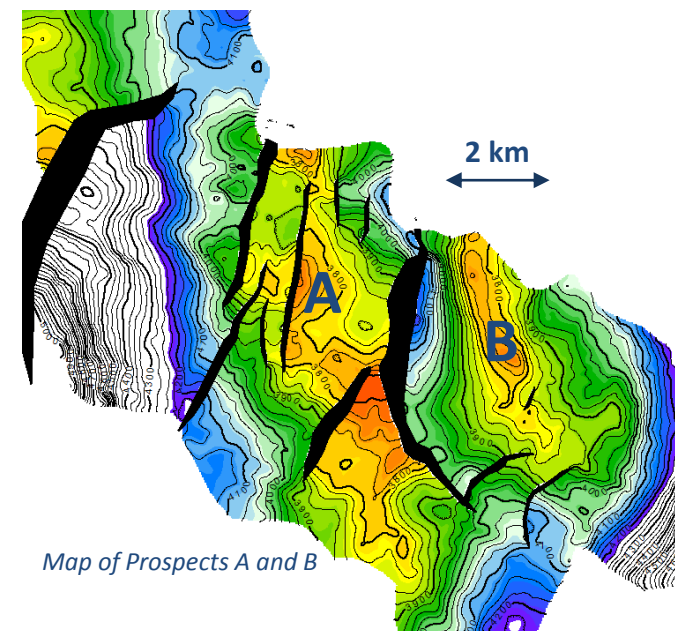
Dussafu Prospects A & B – Large Pre-salt Structures



- Geology
 - A and B are Fault-separated twin 4-way closures
 - Stacked Dentale sands and Gamba potential
- Scale of combined target
 - Vertical closure of 310m over area of 65km²
- Volumetrics
 - B contains 237 mmbbls P50 gross unrisked prospective resources
 - A contains 245 mmbbls P50 gross unrisked prospective resources



3D view looking north



Map of Prospects A and B

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- **Risk factors**

Risk Factors

1. RISKS RELATING TO THE GROUP'S BUSINESS AND OPERATIONS

i. Reserves and contingent resources are by their nature uncertain in respect of the inferred volume range

Included in this presentation is the information relating to the reserves and contingent resources of the Aje field and discoveries in the Dussafu license. Reserves are defined as the volume of hydrocarbons that are expected to be produced from known accumulations in production, under development or with development committed. Reserves are also classified according to the associated risks and probability that the reserves will actually be produced. 1P – Proven reserves represent volumes that will be recovered with 90% probability 2P – Proven + Probable represent volumes that will be recovered with 50% probability 3P – Proven + Probable + Possible volumes that will be recovered with 10% probability. Contingent resources are the volumes of hydrocarbons expected to be produced from known accumulations in planning phase, where development is likely or where development is unlikely with present basic assumptions (e.g. due to the lack of a firm plan of development with the necessary partner or governmental approval, the lack of a market, or the lack of the proper delineation necessary to establish the size of the accumulation for commercial purposes), or under evaluation. Contingent resources are reported as 1C, 2C, and 3C, reflecting similar probabilities as reserves.

Many of the factors in respect of which assumptions are made when estimating reserves and resources are beyond the Group's control and therefore these assumptions may prove to be incorrect over time. For example, sustained lower oil and gas prices may cause the Group to make substantial downward adjustments to its oil and gas reserves and resources. If this occurs, or the Group's estimates of production or economic factors change, the Group may be required to write-down the carrying value of its proved oil and gas properties for impairments. In addition, the depreciation of oil and gas assets charged to its income statement is dependent on the estimate of its oil and gas reserves.

Evaluations of reserves and resources necessarily involve multiple uncertainties. The accuracy of any reserves or resources evaluation depends on the quality of available information and petroleum engineering and geological interpretation. Exploration drilling, interpretation, testing and production after the date of the estimates may require substantial upward or downward revisions in the Issuer's reserves or resources data.

Moreover, different reservoir engineers may make different estimates of reserves and cash flows based on the same available data. Actual production, revenues and expenditures with respect to reserves and resources will vary from estimates, and the variances may be material. Also, effects of regulations adopted by governmental agencies, future operating costs, royalties, tax on the extraction of commercial minerals, development costs as well as work-over and remedial costs represent further variables and assumptions which makes the estimation of reserves and resources uncertain and incorrect.

Special uncertainties exist with respect to the estimation of resources in addition to those set forth above that apply to reserves, such as:

- The quantities and qualities that are ultimately recovered;
- The production and operating costs incurred;
- The amount and timing of additional exploration and future development expenditures;
- Demand for oil and gas; and
- Future oil and gas sales prices.

The probability that contingent resources will be economically developed, or be economically recoverable, is considerably lower than for proven, probable and possible reserves. Forward-looking statements contained in this Presentation concerning the reserves and resources definitions should not be unduly relied upon by potential investors. If the assumptions upon which the estimates of the Issuer's oil and gas reserves or resources are based prove to be incorrect, the Issuer may be unable to recover and/or produce the estimated levels or quality of oil or gas set out in this Presentation, which could have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

ii. Developing a hydrocarbon production field, in particular the development of contingent resources into reserves, requires significant investment

Developing a hydrocarbon production field, in particular the development of contingent resources into reserves, requires significant investment, generally over several decades, to build the requisite operating facilities, drilling of production wells along with implementation of advanced technologies for the extraction and exploitation of hydrocarbons with complex properties. Making these investments and implementing these technologies, normally under difficult conditions, can result in uncertainties about the amount of investment necessary, operating costs and additional expenses incurred as compared with the initial budget, thereby negatively affecting the business, prospects, financial condition and results of operations of the Group. Further, with respect to contingent resources, the amount of investment needed may be prohibitive, such that conversion of resources into reserves may not be commercially viable. The Group may be unable to obtain needed capital or financing on satisfactory terms. If the Group's revenues decrease, it may have limited ability to obtain the capital necessary to sustain operations at current levels. If the Group's available cash is not sufficient, a curtailment of its operations relating to development of its prospects could occur, which in turn could lead to a decline in its oil and natural gas reserves, or if it is not possible to cancel or stop a project, be legally obliged to carry out the project contrary to its desire or with negative economic impact. Further, the Group may inter alia fail to make required cash calls and thus breach license obligations, which again could lead to adverse consequences. All of the above may have a material adverse effect on the Company.

Risk factors (continued)

iii. The Group's current or future development projects are associated with risks relating to delays, cost inflations, potential penalties and regulatory requirements

Development projects inter alia involve complex engineering, procurement, construction work, drilling operation to be carried out and governmental approvals obtained prior to commencement of production. The exploration or development period of a license, are commonly associated with higher risk, requiring high levels of capital expenditure without a commensurate degree of certainty of a return on that investment. The complexity of offshore development projects also makes them very sensitive to delays or costs increases. In particular, this applies to the development of Aje, where the field is expected to be developed by using an FPSO, and a potential future development of Dussafu. Current or future projected target dates for production may be delayed and significant cost overruns may incur. The Group's estimated exploration costs are subject to a number of assumptions that may not materialize. Such factors may again impact on to what extent the Aje field is fully funded as contemplated by this Presentation and consequently could result in breach by the Group of its obligations and/or require the Group to raise additional debt and/or equity.

Moreover, the Group's partners and counterparties consist of a diverse base with no single material source of credit risk. Ultimately, there are risks that the rights granted under the Group's licenses or agreements with the government may be forfeited and the Group may be liable to pay large penalty sums, which inter alia could jeopardize its ability to continue operations. Any delays, cost increases or other negative impact relating to the current or future development projects of the Group, may have a material adverse effect on its business, results of operations, cash flow, financial condition and prospects.

iv. The Group's hydrocarbon production may be restricted, delayed or terminated due to a number of internal or external factors

The Group's hydrocarbon production may be restricted, delayed or terminated due to a number of internal or external factors, among which are malfunctions of hydrocarbon discharge or production facilities, administrative delays (particularly in the approval of development projects by public authorities), shortages or delays in the availability of drilling rigs (which is a particular problem for oil and gas companies operating in Nigeria) and delivery of equipment and materials, pressure or irregularities in geological formations, equipment failures or accidents or adverse weather conditions or malicious actions. These factors may have a material adverse effect on the Group's cash flow as well as on its business, prospects, financial condition or results of operations and consequently affect the Group's ability to serve its debts and fulfil its obligations under loans (if any).

v. The Group's near term production and expected future production is concentrated in a limited number of offshore fields

The Company expects that a significant proportion of the Group's future production will come from the Aje field, and in the longer term potentially from the discoveries in the Dussafu license. If mechanical or technical problems, storms, shutdowns or other events or problems affect the future production on one of these fields, it may have direct and significant impact on a substantial portion of the Group's production or, if the actual reserves associated with any one of the Group's fields are less than anticipated, this may result in material adverse effects for the Company.

vi. Unexpected shutdowns or other adverse effects may occur at the Aje FPSO

The Company is especially sensitive to any shutdown or other technical issues on the Aje FPSO due to the fact that the Aje field is expected to be the only producing field of the Group for a number of years. Any shutdown, technical issues, delay or other negative events in relation to the Aje FPSO may result in material adverse effects for the Group.

vii. There are risks and uncertainties relating to extension of licenses

The Oil Mining Lease, OML 113, is due to expire on 11 June 2018. To progress the project beyond this date requires a renewal of the lease by the federal Government of Nigeria. The Dussafu Main Production Sharing Contract Third Exploration period is due to expire on 28 May 2016. The Ruche Area Exclusive Exploitation Authorization will expire on 17 July 2018 unless oil production commences before that date. If any of the licenses expire, the Group may lose its investments into the license and forego the opportunity to take part in any successful development of, and future production from, the relevant license area, which could have a material adverse effect on the Group's financial position and future prospects.

viii. The Group's operations are dependent on compliance with obligations under licenses, joint operating agreements and field development plans

All exploration and production licenses have incorporated detailed and mandatory work programs that are required to be fulfilled within a specific timespan. Failure to comply with the obligations under the licenses may lead to fines, penalties, restrictions, revocation of licenses and termination of related agreements. A failure to comply with payment obligations (cash calls) under joint operating agreements (and unitization agreements) for the Group's licenses, may lead to penal interest on the defaulted amount, loss of voting rights and information within the license and a right for the other licensees to acquire the Group's participant interest on terms that are unfavourable to the Group and disconnected from the value of the license interest. Further, if other joint venture partners default on their payment obligations (cash calls), the Group may have to increase its interest level in the relevant field, which in turn will result in a corresponding increase in the Group's exposure and investment obligations towards the relevant field. Such increased exposure and obligations may result in the Group not being fully funded to meet such increased exposure and obligations and consequently could result in breach by the Group of its obligations and/or require the Group to raise additional debt and/or equity.

ix. There are currently no off-take agreements in place for the Group

Currently there are no off-take arrangements in place for the Group. While the Group, either separately or together with the JV partners, intends to progress discussions with potential crude off-takers over the next few months, there is no guarantee that these off-take arrangements will come into place on satisfactory terms or at all. Should the off-take arrangements not come into place, be delayed in being arranged or not be on terms not satisfactory, this may have a materially adverse impact on the Group's financial position.

x. The Group is subject to third-party risk in terms of operators and partners

The Group is not the operator of any of the fields in which it has an interest, and consequently it has limited control over management of the assets and mismanagement by the operator or disagreements with the operator as to the most appropriate course of action, which again may result in significant delays, losses or increased costs to the Group. There is a risk that partners with interests in the Group's licenses may not be able to fund or may elect not to participate in, or consent to, certain activities relating to those licenses. In these circumstances, it may not be possible for such activities to be undertaken by the Group alone or in conjunction with other participants. Inversely, decisions by the other partners to engage in certain activities, may also be contrary to the Group's desire not to commence such activities and may require the Group to incur its share of costs in relation thereto, or that the other partners may enforce decisions which will delay or affect the profitability of a project. This is especially an inherent risk in fields under development where the Group only holds a minority interest.

Risk factors (continued)

xi. The Company may not have access to necessary infrastructure or capacity booking for the transportation of oil and gas

The Group is dependent on capacity (whether through pipelines, tankers or otherwise) to transport and sell its oil and gas production. The Group, or the license group in which the Group holds an interest, may need to rely on access to third-party infrastructure to be able to transport produced oil and gas. There can be no assurance that the Group will be able to get access to necessary infrastructure at an economically justifiable cost or access necessary infrastructure at all. If access to third-party infrastructure and necessary capacity bookings are unavailable or unavailable at an economically justifiable cost, the Group's income relating to the sale of oil and gas may be reduced, which may have a material adverse effect on the Group.

xii. The Company is vulnerable to adverse market perception

The Company must display a high level of integrity and maintain the trust and confidence of investors, license partners, public authorities and counterparties. Any mismanagement, fraud or failure to satisfy contracts, fiduciary or regulatory responsibilities, allegations of such activities, negative publicity, or the association of any of the above with the Company could materially adversely affect its reputation and the value of its brand, as well as its business, results of operations, cash flow and financial condition.

xiii. The Group faces risks related to decommissioning activities and related costs

There are significant uncertainties relating to the estimated costs and time for decommissioning of the Group's current licenses, including licenses under relinquishment in Brazil.

xiv. The Group's ability to sell or transfer license interests may be restricted by provisions in its joint operating agreements including pre-emption rights, if any, or applicable legislation

The Group's exit in relation to any particular oil and gas interest may be subject to the prior approval of its commercial partners pursuant to joint operating agreements, unitization agreements and approval from the relevant authorities, thus restricting the Group's ability to dispose of, sell or transfer a license interest and make funds available when needed.

xv. The Group may be subject to liability under environmental laws and regulations

All phases of oil and gas activities present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, and releases or emissions of various substances. The legislation also requires that wells and facility sites are operated, maintained and abandoned to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties in addition to loss of reputation. Any pollution may give rise to material liabilities and may require the Group to incur material costs to remedy such discharge. No assurance can be given that current or future environmental laws and regulations will not result in a curtailment or shut down of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Group.

xvi. The Group faces the risk of litigation or other proceedings in relation to its business

The Group faces the risk of litigation and other proceedings in relation to its business. The outcome of any litigation may expose the Group to unexpected costs and losses, reputational and other non-financial consequences and diverting management attention.

xvii. The Group will have guarantee obligations

The Group will in its ordinary course of business provide guarantees to governmental agencies, joint venture partners or third party contractors in respect of activities relating to its subsidiaries, inter alia for such subsidiaries working and abandonment obligations under licences or obligations under the relevant terms of agreements with third party contractors. Such guarantees, if called upon, may have a material adverse effect on company's cashflows.

xviii. The Group is exposed to political and regulatory risks

The oil and gas industry is subject to extensive government policies, standards, regulations and requirements. No assurance can be given that future political conditions in Nigeria, Gabon or any other jurisdiction in which the Group may operate, existing legislation, new interpretation of existing legislation or changes in administrative practice or policies, will not result in a reduction of income, curtailment of production, delays or a material increase in operating costs and capital expenditure or otherwise adversely affect the Group. Further, a failure to comply with applicable legislation, regulations and conditions or orders issued by the regulatory authorities, may lead to fines, penalties, restrictions, withdrawal of licenses and termination of related agreements. Additionally, the Group is dependent on receipt of discretionary government approvals, decisions and permits to develop and produce its assets. Further, the Group may be unable to obtain, renew or extend required drilling rights, licenses (including production licenses), permits and other authorizations and these may also be suspended, terminated or revoked prior to their expiration. The relevant authorities may also stipulate conditions for any such extension or for not revoking any licenses or permits. Lack of governmental approvals or permits or delays in receiving such approval may delay the Group's operations, increase its costs and liabilities or affect the status of its contractual arrangements or its ability to meet its contractual obligations.

xix. The Group's insurance or indemnities may not adequately cover all risks, liabilities or expenses that could result from its operations

The Group's offshore oil and gas operations are subject to all the significant risks and hazards typically associated with such operations. The Group is not necessarily fully insured against all risks it may face (it has for example currently not taken out business interruption insurance). Furthermore, not all mentioned risks are insurable, or only insurable at a disproportionately high cost. The nature of the hazards and risks typical for the Group's industry is such that liabilities could materially exceed policy limits or not be insured at all, which may result in substantial financial liability or losses. Any uninsured loss or liabilities, or any loss and liabilities exceeding the insured limits, may have a material adverse effect on the Group.

Risk factors (continued)

xx. The Group may experience conflicts of interest

Some of the directors, officers and principal shareholders of the Company are or may become engaged in other oil and gas interests (including interests relating to oil and gas services) on their own behalf and on behalf of other companies resulting in a conflict of interest or direct competition with the Group. Such conflicts, if any, will be subject to the procedures and remedies under Norwegian company law (or any similar, foreign laws), but this may not prevent adverse effects for the Group with regard to such conflicts. The Company's directors, officers and principal shareholders may not devote their time on a full-time basis to the affairs of the Group as a result of such conflicts. Certain members of the Company's board of directors and senior management own collectively, directly and indirectly, a significant part of the outstanding share capital of the Company, and will therefore have the possibility to influence the decision-making in the Company and thereby the Group.

xxi. The risk of losing key employees

The Group only has a very limited number of employees and executives. The loss of key employees could adversely affect the Group's ability to operate. The Group believes that its success depends on the continued service of its key employees, as well as its ability to hire additional key employees, when and as needed. The unexpected loss of the services of any of the key employees, or the Group's failure to find suitable replacements within a reasonable period of time thereafter, could have a material adverse effect on the Group's ability to execute its business plan and therefore, on its financial condition and results of operations.

xxii. Changes in foreign exchange rates may affect the Group's results of operations and financial position

The Group is exposed to market fluctuations in foreign exchange rates. While the Group currently has no foreign currency exchange hedging arrangements in place, the Group may from time to time enter into such hedges to manage the risk of foreign currency exposure and may also be required to provide security for such derivative transactions. Such security if provided could have an adverse effect on the company's working capital position.

xxiii. Maritime disasters and other operational risks may adversely impact the Group's reputation, financial condition and results of operations

The Group's offshore operations are subject to all the risks common in its industry, including inter alia encountering unexpected rock formations or pressures, seismic shifts, blowouts, pollution, explosions, fires and equipment damage or failure. The facilities on the Aje and Dussafu fields will also be subject to the hazards inherent in marine operations, such as inter alia capsizing, sinking, grounding and damage from severe weather conditions. If any of these events were to occur, they could, among other adverse effects, result in environmental damage, injury to persons, loss of life, a failure to produce oil and/or gas in commercial quantities, delays, shut-down of operations or other damage. These events can also put at risk some or all of the Group's licenses and could inter alia result in the Group incurring significant civil liability claims, significant fines as well as criminal sanctions. In the Group's capacity as licensee, it is inter alia subject to liability provisions under the applicable statutory and regulatory regimes of the jurisdictions where the Group operates.

The operation of the FPSO vessel has an inherent risk of maritime disaster, environmental mishaps, cargo and property losses or damage and business interruptions caused by, among others, mechanical failure, damages requiring dry-dock repairs, human error, labour strikes, adverse weather conditions, vessel off-hire periods, regulatory delays and political action, civil conflicts, terrorism and piracy in countries where vessel operations are conducted, vessels are registered or from which spare parts and provisions are sourced and purchased.

Any of these circumstances could adversely affect the operation of the FPSO vessel, and result in loss of revenues or increased costs and adversely affect the Group's profitability. Terrorist acts and regional hostilities around the world in recent years have led to increases in insurance premium rates and the implementation of special war risk premiums for certain areas. Such increases in insurance rates may adversely affect the Group's profitability with respect to the Aje field.

xxiv. The Group is subject to risks relating to capacity constraints and cost inflation in the service sector and lack of availability of required services and equipment

The Group is highly reliant upon services, goods and equipment provided by contractors and other companies to carry out its operations (including current and planned exploration and development projects). There is a continuing risk for capacity constraints and cost inflation in the service sector. Any non-performance, delays or faulty deliveries by contractors, or any other failure to obtain necessary services, goods or equipment, at all or at a reasonable cost, may expose the Group to significant delays, cost increases or liability, which may again lead to material adverse effects for the Group. Further, the Group's contractors and other companies may potentially be adversely affected by market conditions. If the Group's contractors, their suppliers or other companies should be unable to respect their obligations (towards the Group or others), become insolvent or otherwise unable to pay debts as they come due, this could lead to material adverse effects for the Group.

Risk factors (continued)

2. RISKS RELATING TO JURISDICTIONS IN WHICH THE GROUP OPERATES

i. Risks relating to changes to and the application of tax rates and laws

Income derived from the Aje field will be subject to the jurisdiction of the Nigerian taxing authorities and income derived from the Dussafu field will be subject to the jurisdiction of the Gabonese taxing authorities.

The Nigerian Government applies different tax rates upon income derived from Nigerian oil operations ranging from 50% to 85%, based on a number of factors. The final determination of the tax liabilities with respect to the Aje field involves the interpretation of local tax laws and related authorities. In addition, changes in the operating environment, including changes in tax law and currency/repatriation controls, could impact the determination of tax liabilities with respect to the Aje field for a tax year.

In general, there is no assurance that future political conditions in Nigeria and/or Gabon, or in any other jurisdiction in which the Group conducts or may in the future conduct business, will not result in the government adopting materially different policies for petroleum taxation. Furthermore, the amounts of taxes the Group must pay could also change significantly as a result of new interpretations of tax laws and regulations or changes to such laws and regulations. In the event there are any such changes, it could inter alia lead to new investments being less attractive, prevent the Group from further growth, affect the Group's current and future tax positions, net income after tax and financial conditions. In addition, tax authorities could review and question the Group's tax returns leading to additional taxes and tax penalties. Any change in tax rules and regulations, or the interpretation and application of such rules and regulations may have an adverse effect on the Group's financial position and future prospects.

ii. Security risks associated with operating in Nigeria

The Aje field is located offshore and thus in an area with less security risk compared to the swamp area. However, the security risk could result in harm to the Aje field's operations and thus impact the economical income from the Aje field. There are some risks inherent to oil production in Nigeria. Since December 2005, Nigeria has experienced pipeline vandalism, kidnappings and militant takeovers of oil facilities in the Niger Delta. MEND is the main group attacking oil infrastructure for political objectives, claiming to seek a redistribution of oil wealth and greater local control of the sector. Additionally, kidnappings of oil workers for ransom are taking place. Security concerns have led some oil services firms to pull out of the country and oil workers unions to threaten strikes over security issues. The instability in the Niger Delta has caused shut-in production and several companies to declare force majeure on oil shipments.

Despite undertaking various security measures and being situated offshore the Nigerian coast, the Aje field installations may become subject to terrorist acts and other acts of hostility like piracy. Such actions could adversely impact on the Group's overall business, financial condition and operations. The Aje license's facilities are subject to these substantial security risks and its financial condition and results of operations may materially suffer as a result. The recent escalation in civil unrest in Nigeria, including attacks on oil workers by MEND in 2013 and clashes between different religious groups and future terrorist attacks carried out by certain Islamist group, including Boko Haram, may also pose a threat to the operations of the Group and any intensification in the level of civil unrest may have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

iii. Legal risks associated with operating

Nigeria may have less developed legal systems than more established economies which could result in risks such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an owner ship dispute, being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, Government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the Issuer's licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of Government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

iv. Future changes in the Nigerian authorities and the NPDC and/or in Government oil and gas policy may adversely affect the Group

The Nigerian Government owns the country's mineral resources and grants hydrocarbon exploration and production rights under fixed term licences and OMLs, which subject to certain terms and conditions can be renewed. It thus retains control over the exploration and exploitation of hydrocarbon reserves and, in numerous cases, acquires interests of its own through the state-owned oil company, NNPC, and its subsidiary, NPDC. Any adverse changes in the Government's policy with respect to the oil and gas industry, including any which may occur following the national elections held earlier in 2015, may adversely impact the interests of the Group, in particular should the international oil companies' divestment process be delayed in advance of national elections. Further, the strategy and business of the Group in Nigeria depend on it maintaining good relationships and cooperating with the relevant Nigerian authorities. While the Group believes that it has a close working relationship with the Nigerian authorities and NPDC, there is no guarantee that this positive relationship will continue or that actions by the current or future Governments will not seriously affect the business or financial position of the Group. This relationship could be adversely impacted by future changes in the personnel or management of the Group, the Nigerian authorities or NPDC.

v. The Nigerian Government may intervene in the oil and gas industry in ways that are unfavourable to the Group's business and strategy

Generally, exploration and development activities in Nigeria can require lengthy negotiations with the Nigerian Government, NNPC and third parties and may be subject to expropriation, nationalisation, renegotiation, change or nullification of existing licences, changes to contracts, changes to royalty rates and taxes, difficulties in enforcing contractual rights, adverse changes to laws (whether of general application or otherwise) or the interpretation thereof, foreign exchange restrictions, changing political conditions, local currency devaluation, currency controls and the interpretation, implementation, enforcement of any laws or governmental regulations that favour or require the awarding of contracts to local contractors or require contractors to employ citizens of, or purchase supplies from, Nigeria (for example, the Local Content Act, see below). Any of these factors detailed above or similar factors could have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

The Petroleum Act 1969 states that the Minister may revoke an oil prospecting licence or an oil mining licence if the licensee or lessee becomes controlled directly or indirectly by a citizen of, or subject of, or a company incorporated in, any country which is: (a) a country other than the licensee's or lessee's country of origin; and (b) a country the laws of which, do not permit citizens of Nigeria or Nigerian companies to acquire, hold and operate petroleum concessions on conditions which, in the opinion of the Minister, are reasonably comparable with the conditions upon which such concessions are granted to subjects of that country. If, in the future, any member of the Group ceases to fulfil these criteria, there is a risk that the Minister may revoke any oil prospecting licence or oil mining licence held by such member of the Group.

Risk factors (continued)

vi. The Group may further be subject to fines and other penalties if it fails to comply with the Local Content Act

The Local Content Act provides that any project or contract with a budget of over US\$ 100 million must contain a specific labour clause requiring a minimum percentage of Nigerian employees in specific cadres as may be stipulated by the Board. Furthermore, the operator or developer of the project must limit the number of expatriates in management positions (the current limit is a maximum of 5%). The Local Content Act also provides that oil and gas industry operators must keep at least 10% of their total revenue accruing from their operations in Nigeria in a bank account in Nigeria. Although the Local Content Act does not state precisely what these funds may be used for, it seems in practice that they may be used to pay local operating costs, such as taxes or royalties. Failure by the Group to comply with the provisions of the Local Content Act would constitute an offence punishable by a fine of 5% of the amount of each project and could potentially lead to the cancellation of the project to which the violation pertains. Furthermore, a future renewal of the Group's licences and leases may depend on the Group's level of compliance with the Local Content Act, violation or non-compliance may be a ground for refusing to renew licences and leases by the appropriate agencies.

vii. The Group conducts substantially all of its business in Nigeria

The Group's present and future international operations in Nigeria are, and will be, subject to risks generally associated with conducting businesses in foreign countries, such as: foreign laws and regulations that may be materially different from those of Norway or the European Union, changes in applicable laws and regulations, challenges to, or failure of, title, labour and political unrest, foreign currency fluctuations, changes in foreign economic and political conditions, export and import restrictions, tariffs, customs, duties and other trade barriers, difficulties in staffing and managing foreign operations, longer time periods and difficulties in collecting accounts receivable and enforcing agreements, possible loss of properties due to nationalization or expropriation and limitations on repatriation of income or capital. Specifically, the Nigerian Government may enact and enforce laws and regulations requiring increased ownership by businesses and/or state agencies in energy producing businesses and the facilities used by these businesses, which could adversely affect the Group's ownership interests in then existing ventures.

viii. Security Issues and Fraud, Bribery and Corruption

The Group operates and conducts business in Nigeria, which, like many countries in emerging market economies, experiences a considerable level of criminal activity, fraud, bribery and corruption. Oil and gas companies operating in West Africa, and more specifically Nigeria, may be particular targets of criminal or militant actions.

Criminal, corrupt or militant action against the Issuer, its properties or facilities could have a material adverse effect on the Group's business, prospects, financial condition or results of operations. It may not be possible for the Group to detect or prevent every instance of fraud, bribery or corruption. Failure to detect or prevent any such instances may expose the Group to potential civil or criminal penalties under relevant applicable law and to reputational damage, which may have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

ix. The passage into law of the Nigerian Petroleum Industry Bill ("PIB") could create local ownership control requirements and additional fiscal and regulatory burdens on the parties to the Aje field, which could have a material adverse effect on the Group

The PIB seeks to introduce significant changes to legislation governing the oil and gas sector in Nigeria, including new fiscal regulatory and tax obligations and expanded fiscal and regulatory oversight that may impose additional operational and regulatory burdens on the operations under the Aje field and impact the economic benefits anticipated by the parties to the Aje field. Any such fiscal and regulatory changes could have a negative impact on the profits allocable to the Aje field and its owners.

The Local Content Act includes a definition of "Nigerian Company", as a company formed and registered in Nigeria in accordance with the provision of Companies and Allied Matters Act with not less than 51 % equity shares by Nigerians. While the definition of an "indigenous Nigerian company" is not provided for under the Local Content Act, in implementing the Local Content Act, the Nigerian Content and Development Monitoring Board ("Board") require that any company wishing to operate in the oil and gas industry must meet the requirement of a minimum of 51% (fifty one percent) Nigerian shareholding in compliance with the definition of a Nigerian Company under the Local Content Act.

The PIB defines an 'indigenous petroleum company' as a company:

- (a) engaged in the exploration for and production of petroleum of which 51% or more of its shares are beneficially owned directly or indirectly by Nigerian citizens or associations of Nigerian citizens;
- (b) which meets the requirements of any guidelines or regulations that may be issued by the new industry regulators which will be established under the PIB; and
- (c) which is accredited as an indigenous petroleum company by the new industry regulator provided that a company listed on any stock exchange in Nigeria with a majority of Nigerian directors shall be deemed to qualify as an indigenous petroleum company in Nigeria.

Whether or not the three elements of the definition of 'indigenous petroleum company' under the PIB will be considered as conjunctive remains unclear.

If the relevant member of the Group did not in the future qualify as an "indigenous petroleum company" then there is a risk that the Group would not have priority in bidding for new oil mining/prospecting licences. In addition, there remains a risk that the provisions dealing with the definition of "indigenous petroleum companies" and any benefits attributed to such companies will be amended in a manner that is adverse to the interests of the Group.

Risk factors (continued)

ix. The passage into law of the Nigerian Petroleum Industry Bill (“PIB”) could create local ownership control requirements and additional fiscal and regulatory burdens on the parties to the Aje field, which could have a material adverse effect on the Group (cont’d)

There is considerable uncertainty surrounding the PIB and risks associated with the PIB, and related efforts to reform the Nigerian oil and gas industry may include that:

- The proposed changes in the tax structure for oil and gas companies operating in Nigeria may lead companies to curtail their operations or future investment;
- Oil producers may be directed to supply the domestic market with oil for refining to reduce the amount of refined products currently being imported into Nigeria at prices significantly lower than those obtainable on the export market;
- Gas producers may be required to retain a specific volume of the gas that they produce for the local Nigerian market;
- The PIB may include new fines and penalties for gas flaring; and
- The PIB may fail to adequately address the concerns of communities in the Niger Delta region; or
- Create new grounds for further conflict.

Other existing Nigerian laws and regulations, for example the Local Content Act, use analogous concepts to signify the requirements for local participation within varying contexts, including terms such as “Nigerian Company”, “Nigerian Indigenous Service Companies” and “Nigerian Independent Operators”. Only the term “Nigerian Company” is defined, being a company formed and registered in Nigeria in accordance with local provisions and in which not less than 51% of the shares are owned by Nigerians. Companies that are compliant with the Local Content Act will be given first consideration in the award of oil blocks, oil field licences, oil lifting licences and all projects for which contracts are to be awarded in the Nigerian oil and gas industry. Failure by the Group to comply with the Local Content Act will mean that compliant companies will have preference over the Group in relation to bids for licences and contracts in the Nigerian oil and gas industry

Risk factors (continued)

3. RISKS RELATING TO THE OIL AND GAS INDUSTRY IN WHICH THE GROUP OPERATES

i. The market in which the Group operates is highly competitive

The Group competes with a substantial number of other companies with larger technical staffs and greater resources, inter alia in acquiring (prospective) oil and gas licenses and attempting to secure drilling rigs and other equipment or services necessary for operation or projects. As a result of this competitive environment, the Group may inter alia be unable to acquire suitable licenses or licenses on terms that it considers acceptable, or equipment or services it requires may be in short supply. As a result, the Group's revenues may decline over time.

ii. The oil and gas industry is characterized by rapid and significant technological advancements, and the Group may not be able to keep pace

As others use or develop new technologies, the Group may be placed at a competitive disadvantage over time or may be forced by competitive pressures to implement those new technologies at substantial costs. The Group may not be able to respond to these competitive pressures or implement new technologies on a timely basis or at an acceptable cost. Further, one or more of the technologies used by the Group now or in the future may become obsolete. In addition, new technology implemented by the Group may have unanticipated or unforeseen adverse consequences, either to its business or the industry as a whole.

The Group's business, results of operations, value of assets, reserves, cash flows, financial condition and access to capital depend significantly upon and may be adversely affected by the level of oil and gas prices, which are highly volatile and have recently declined significantly: It is impossible to accurately predict future oil and gas price movements. Sustained lower oil and gas prices or price declines may inter alia lead to a material decrease in the Group's net production revenues. The Group may from time to time enter into agreements to receive fixed prices on its oil and gas production to offset the risk of revenue losses if commodity prices decline. However, if commodity prices increase beyond the levels set out in such agreements, the Group will not benefit from such increases and may nevertheless be obligated to pay suppliers and others in the market based on such higher prices. Furthermore, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms, and in addition, hedging itself carries certain risks, including expenses associated with terminating any hedging agreements. Further, certain development projects could become unprofitable as a result of a decline in price and could result in the Group having to postpone or cancel a planned project, or if it is not possible to cancel the project, carry out the project with negative economic impact. Additionally, if oil and gas prices remain depressed, it could reduce the Group's ability to raise new debt or equity financing or to refinance any outstanding loans on terms satisfactory, or at all.

Consequently, a sustained level of low prices for oil and/or gas may have a material adverse effect on the Group's reserves and resources, its financial position and future prospects.

iii. The Group is affected by the general global economic and financial market situation

The Group may be materially and adversely affected by, amongst other things, the general state of the economy and business conditions, the occurrence of recession, inflation, adverse credit markets, fluctuations in operating expenses, technical problems, work stoppages or other labour difficulties. Weak global or regional economic conditions may negatively impact the business of the Group in ways that it cannot predict. Global financial markets and economic conditions have been severely disrupted and volatile in recent years and remain subject to significant vulnerabilities, such as the rapid accumulation of public debt, continued deleveraging in the banking sector and a limited supply of credit. The Group may inter alia experience difficulties obtaining financing commitments or be unable to fully draw on the capacity under committed loans it arranges in the future if its lenders are unwilling to extend financing to it or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. The Group cannot be certain that financing will be available on acceptable terms, or at all. If financing is not available when needed, or is available only on unfavourable terms, the Group may be unable to meet its future obligations as they come due. The Group's failure to obtain such funds could have a material adverse effect on its business, results of operations and financial condition, as well as its ability to service its indebtedness.

Risk factors (continued)

4. FINANCIAL RISKS

i. The Group is exposed to credit risk

The Group may be exposed to financial loss if counterparties to contracts fail to meet their obligations. If significant amounts are not paid this could have a material adverse impact on the Group. Whilst the Group actively manages its credit risk with suppliers and has rights of quiet enjoyment on its key vessel contracts, should a contractor encounter financial difficulties, it could have an adverse of the project and the Company's operations.

ii. The Group's working capital needs beyond the next 12 months are difficult to forecast and may be subject to significant and rapid increases which could result in additional financing requirements that the Group may not be able to obtain on satisfactory terms or at all.

The Group is unable to predict with certainty its working capital needs beyond the next 12 months. This is primarily due to large working capital requirements for general operating expenses, exploration and development expenditures, acquisition of equipment and other materials necessary for the Group and to support any future services and growth. As the future level of income is also difficult to predict with any certainty due to uncertainties concerning prices for oil and gas and actual production levels, forecasting working capital requirements is difficult and subject to substantial uncertainty, which could adversely affect the Group's ability to obtain such required funds on satisfactory terms, or at all.

iii. The Group may incur substantial debt in the future, which may make it difficult for it to service its debt

The Group and its existing subsidiaries or any future subsidiaries may incur substantial indebtedness in the future. If the Group incur new debt or other obligations, the related risks that it faces, could increase. In addition, the Group is currently under and may in the future incur obligations that do not constitute indebtedness as defined under the agreements governing the debt arrangements.

iv. The Group will require a significant amount of cash to service future debt and sustain its operations, and its ability to generate sufficient cash depends on many factors beyond its control

The Group's ability to make payments on, or repay or refinance, any debt, and to fund working capital and capital investments, will depend on its future operating performance and ability to generate sufficient cash. This depends on the success of its business strategy and on general economic, financial, competitive, market, legislative, regulatory, technical and other factors as well as the risks discussed in these "Risk Factors", many of which are beyond the Group's control. The Group cannot assure that its business will generate sufficient cash flow from operations or that future debt and equity financings will be available to it in an amount sufficient to enable it to pay its debt, or to fund its other liquidity needs. The Group cannot give assurance that it will be able to refinance any debt on commercially reasonable terms or at all. Any failure by the Group to make payments on debt on a timely basis would likely result in a reduction of its credit rating, which could also harm its ability to incur additional indebtedness. There can be no assurance that any assets that the Group may elect to sell can be sold or that, if sold, the timing of such sale will be acceptable and the amount of proceeds realized will be sufficient to satisfy its debt service and other liquidity needs. If the Group is unsuccessful in any of these efforts, it may not have sufficient cash to meet its obligations, which could cause an event of default under any debt arrangements and could result in the debt being accelerated, lending reserves and certain bank accounts being frozen, triggering of cross-default provisions, enforcement of security and the companies of the Group, including the Company, being forced into bankruptcy or liquidation, which could result in an investor losing its investment in the Company's Shares in its entirety.

5. RISKS RELATES TO THE SHARES

i. Volatility of share price

The Company's Share price may experience substantial volatility. The trading price of the Shares could fluctuate significantly in response to, inter alia, the financial situation of the Company, variations in operating results, response to quarterly and annual reports issued by the Company, changes in earnings estimates by analysts, adverse business developments, changing conditions in the oil and gas industry at large, changes in general market or economic outlook, interest rate changes, foreign exchange rate movements, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors or changes to the regulatory environment in which the Company operates or rumours and speculation in the market. The equity markets in general have experienced extreme volatility that has at times been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of the Company's shares.

ii. Substantial future sales of Company Shares by its current or future holders or any future share issuances by the Company could cause its share price to decline

The Company is unable to predict whether significant amounts of its shares will be sold by its current or future holders following the Private Placement. Any sales of substantial amounts of the Company's Shares in the public market, or the perception that these sales might occur, could lower the market price of the Company's Shares.

iii. Shareholders may risk being diluted

The Company may in future see the need of additional equity investment in relation to financing capital intensive projects, or related to unanticipated expenses or liabilities. This may lead to a future need of additional issuance of shares in the Company. The Company cannot guarantee that the current shareholders ownership will not be diluted. For reasons relating to U.S. securities laws, and the laws in certain other jurisdictions, or other factors, U.S. investors, and investors in such other jurisdictions, may not be able to participate in a new issuance of shares or other securities and may face dilution as a result.

iv. Limitations on dividends

The Company currently anticipates that it will retain all future earnings, if any, to finance the growth and development of its business. The Company does not intend to pay cash dividends in the foreseeable future. Any payment of cash dividends will depend upon the Company's financial condition, capital requirements, earnings and other factors deemed relevant by its Board and general meeting of shareholders.

v. Holders of the shares that are registered in a nominee account may not be able to exercise voting rights as readily as shareholders whose shares are registered in their own names with the VPS

Beneficial owners of the shares that are registered in a nominee account (e.g., through brokers, dealers or other third parties) may not be able to vote for such shares unless their ownership is re-registered in their names with the VPS prior to the Company's general meetings. The Company cannot guarantee that beneficial owners of the shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their shares or otherwise vote their shares in the manner desired by such beneficial owners.

Risk factors (continued)

vi. Pre-emptive rights may not be available to U.S. holders

In accordance with Norwegian law, prior to issuance of any shares for consideration in cash, the Company must offer holders of then-outstanding shares pre-emptive rights to subscribe and pay for a sufficient number of shares to maintain their existing ownership percentages, unless these rights are waived at a general meeting of the shareholders. These pre-emptive rights are generally transferable during the subscription period for the related offering and may be quoted on the OSE.

U.S. holders of the shares, and possibly holders of shares in other jurisdictions as well, may not be able to receive trade or exercise pre-emptive rights for shares in the Company unless a registration statement under the Securities Act (or similar provisions in other jurisdictions) is effective with respect to such rights or an exemption from the registration requirements of the Securities Act is available. The Company is not currently subject to the reporting requirements of the U.S. Securities and Exchange Act of 1934 (the "U.S. Exchange Act"), or any other foreign jurisdiction reporting requirements, and currently has no intention to subject itself to such reporting. If U.S. holders of the shares, or possibly holder of shares in other jurisdictions, are not able to receive trade or exercise pre-emptive rights granted in respect of their shares in any issue of shares by the Company, then they may not receive the economic benefit of such rights. Any such rights may, at the sole discretion of the Company, be sold on behalf of such shareholders and such shareholders may receive any profits from such sale, but any profit will depend on the prevailing market prices for the pre-emptive rights. In addition, such shareholder's proportionate ownership interests in the Company will be diluted.

vii. Investors in the United States may have difficulty enforcing any judgment obtained in the United States against the Company or its directors or executive officers in Norway

The Company is incorporated in Norway, several of the Company's directors and executive officers reside outside the United States. All or a substantial portion of the assets of these persons and the Company are located outside the United States. In addition, our auditors are also organized outside the United States. As a result, it may be difficult or impossible to serve process against any of these persons in the United States, including for U.S. securities laws violations. Furthermore, as all or substantially all of the assets of these persons are located outside of the United States, it may not be possible to enforce judgments obtained in courts in the United States predicated upon civil liability provisions of the federal securities laws of the United States against these persons. Additionally, there is doubt as to the enforceability in Norway of civil liabilities based on the civil liability provisions

viii. Transfer of shares is subject to restrictions under the securities laws of the United States and other jurisdictions

The shares of the Company have not been registered under the Securities Act or any state securities laws in the United States or any other jurisdiction outside of Norway, and there are no plans to file for such registration. As such, the shares of the Company may not be offered or sold except pursuant to an exemption from the registration requirements of the Securities Act and applicable securities laws.

ix. Shareholders outside of Norway are subject to exchange rate risk

The shares of The Company are priced in NOK, and any future payments of dividends or other distributions from the Company will be denominated in NOK. Accordingly, any investor outside Norway is subject to adverse movements in the NOK against their local currency, as the foreign currency equivalent of any dividends paid on the shares or price received in connection with any sale of the shares could be materially adversely affected.

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