Panoro Energy

Half Year and Second Quarter Report 2016

August 23, 2016

Contents

Highlights and events

Second Quarter 2016 highlights and subsequent events

- First oil production at Aje, offshore Nigeria commenced in May 2016
- First lifting and sale of crude scheduled for September 2016
- Near term production anticipated at a rate of 7,000-9,000 bopd, pending resolution of all mechanical issues
- Cash balance of USD 6.6 million as at 30 June 2016 and no debt
- Subsequent Offering of NOK 10 million (USD 1.2 million) completed in April 2016
- Development planning of Dussafu and Aje (phases 2 and 3) continues

Operational update

NIGERIA

OML 113 Aje field: YFP (Operator), Panoro Energy (12.1913% entitlement to revenue stream, 16.255% paying interest and 6.5% participating interest)

The first introduction of hydrocarbons, light oil of approximately 42 degree API, from the Aje field to the Front Puffin FPSO was achieved on May 3, 2016. A period of commissioning followed, and the 72 hour production test was completed with the FPSO placed on hire in mid-July, 2016. As previously reported, production is being temporarily constrained; this is due to mechanical issues with the Aje 5 well and the FPSO compressor systems.

In order to resolve the FPSO compressor issue, the system has been under maintenance since early August, and should be fully repaired and working within the next four weeks. The use of the compressor is a key variable in well production. Based on recent performance, with the resumed full use of the compression system, the forward looking production guidance range is anticipated to be 7,000-9,000 bopd prior to remediation work with Aje-5.

Aje 5 requires subsurface intervention to solve a mechanical issue, and is currently materially restricted in its productivity. The Aje Joint Venture is working to implement the most cost effective intervention solution in order to resolve this issue in the shortest possible time period. Average gross daily production at Aje calculated from first oil in May until mid-August has been 5,500 bopd, which includes the entire testing, commissioning, and approval period which completed in mid-July.

Nigerian regulators have recently officially approved production and the export sale from Aje. The first cargo of Aje crude should be lifted during September and Glencore Energy UK Limited has been selected for its offtake.

The initial production data from the 2 existing wells are being used to update our subsurface geological models which were constructed using the recently acquired 3D seismic data. These models are being used to determine the optimum locations for the Aje-6 and Aje-7 wells which will form phase 2 of the Cenomanian oil field development. It is expected that a decision regarding the phase 2 drilling programme will be made towards the end of 2016.

The Aje gas development project based around the commercialisation of the 2C Turonian contingent resources of 163 mmboe (gross) was progressed in the quarter. The development concept involves production of the Turonian hydrocarbons through two or more additional wells, processing and export of gas via pipeline for sale to buyers in the region. Liquid hydrocarbons produced from the Turonian would be stored aboard the FPSO for sale.

AGR TRACS have been commissioned to do a prospective resource review of the exploration potential on OML 113, and the summary of this report should be available later this year.

GABON

Dussafu Marin: Harvest (Operator), Panoro Energy (33.33%)

In Gabon, we continue to have ongoing discussions with potential farm-in partners and to examine other initiatives such as refined development plans with our partners Harvest Natural Resources. We are actively working on a forward plan for the license where, alongside the already discovered contingent resources in the Ruche, Tortue, Moubenga and Walt Whitman fields, we see world-class exploration potential. Within the EEA area prospects A and B have combined P50 of 482 million barrels of gross un-risked prospective resources. The third exploration phase of the Dussafu PSC expired on May 27, 2016. The expiration of the exploration phase has no effect on the discovered fields under the Exclusive Exploitation Authorization (EEA). All expenditure commitments on this exploration phase have been completed.

CORPORATE

Following the Equity Private Placement in the first quarter, the Company issued NOK 10 million (approximately USD 1.2 million) in gross proceeds through the subscription and allocation of 23,809,500 new shares in a Subsequent Offering to the shareholders that did not participate in the Equity Private Placement. The new shares were issued at a subscription price of NOK 0.42 per share.

At the end of May 2016, the Company completed a reverse split of the Company's shares at a ratio of 10:1 resulting in an increase in the share capital of NOK 0.04. Following the registration of the reverse split and capital increase and as at June 30, 2016, the Company had a registered share capital of NOK 2,125,109.80 divided into 42,502,196 shares, each with a nominal value of NOK 0.05.

The Company's General and Administration (G&A) costs reduced by approximately 24% year-on-year, whereas the quarter-on-quarter G&A rose marginally as a result of timings and quarterly variations. The Company will continue to seek further cost reductions and to maintain strong financial discipline, although some further quarterly variations may still occur. In addition to the internal G&A, the asset related expensed overheads have also been reduced in the current quarter.

The Company's formal exit from its historical Brazilian business is still ongoing with slow progress towards completion of license relinquishment by the Brazilian regulators. Management is working actively with the Operator Petrobras to bring matters to a close by the end of the current financial year. However, the timing of such conclusion will subject to necessary approvals by the Brazilian Regulator ANP.

Financial information

Income statement review

During the second quarter, the Company started first oil production from its Aje field, offshore Nigeria. Between first oil in May 2016 and the commissioning of commercial production (post-period end), the field's test production has been stored to be sold at a later date. All pre-commissioning costs in the test production period are deemed integral to the development of the field and have be recognised in the balance sheet of the end of the second quarter 2016. These costs will be expensed in the income statement to align with the revenue from the sale of oil, which is expected in September 2016.

Second quarter 2016 versus first quarter 2016

Panoro Energy reported a net loss of USD 1.3 million from continuing operations for the second quarter 2016, a decrease of USD 16.9 million, compared to a loss of USD 18.2 million in the first quarter 2016. The reduction in loss was a result of the non-cash impairment of the Dussafu licence by USD 17.1 million during the first quarter.

Exploration related costs and operator G&A was USD 0.2 million for both reported quarters in 2016 and is a result of re-phasing of work programmes on the licences.

General and Administration costs from continuing activities increased from USD 0.9 million in Q1 2016 to USD 1.0 million in Q2 2016. This is driven by quarterly variations as highlighted in the first quarter; however the overall downward trend brought about by the cost reduction initiatives is expected to continue.

Depreciation for the current quarter was USD 26 thousand decreasing from USD 31 thousand in Q1 2016.

There was no impairment charge in the second quarter 2016 in comparison to the non-cash provision for impairment of USD 17.1 million to its investment in the Dussafu asset in Gabon in the first quarter 2016.

EBIT from continuing operations was thus a negative USD 1.3 million in the second quarter 2016, compared to a negative USD 18.2 million in the first quarter 2016.

Net financial items amounted to a net expense of USD 22 thousand in the second quarter 2016 compared to an income of USD 18 thousand in the first quarter.

Loss before tax from continuing activities was USD 1.3 million in the second quarter 2016 which was lower by USD 16.9 million compared to previous quarter loss of USD 18.2 million.

Net loss for the period from discontinued operations was USD 20 thousand for the current quarter, an increase in loss of USD 14 thousand from the first quarter.

The total net loss was USD 1.3 million, compared to a net loss of USD 18.2 million in the first quarter.

Minor movement in other comprehensive income was a result of currency translation adjustments for reporting purposes in both quarters.

Year to date 2016 versus year to date 2015

Panoro Energy reported a net loss of USD 19.4 million from continuing operations for the first half 2016, compared to a loss of USD 36 million in the same period in 2015.

Exploration related costs and operator G&A decreased to USD 0.4 million in 1H 2016, down from USD 1 million in same period in 2015. This is consistent with the operator general and administrative costs on the JVs and in line with the budgeted expenditure in the respective periods.

General and Administration costs from continuing operations decreased to just under USD 2 million in the first half of 2016 compared to USD 2.6 million in the comparative period in 2015 culminating in a year-on-year decrease of 24.2%. The reduction is a result of continued cost saving efforts.

Depreciation increased from USD 28 thousand in the first half of 2014 to USD 57 thousand for the six months to June 2016.

During the first half of 2016, the Company recorded a non-cash provision for impairment of USD 17.1 million to its investment in the Dussafu asset in Gabon. The impairment is the result of the effect of lower oil prices and is considered to be a fair and current reflection on the Company's valuation of the carrying value of the asset. The recognition of such provision is prudent and conservative treatment without an underlying change in technical view of the asset and follows the initial impairment to Dussafu of USD 32.4 million during the first half of 2015.

EBIT from continuing operations was thus a negative USD 19.4 million for the first half 2016, compared to a negative USD 36.1 million in the same period of 2015.

Net financial items amounted to an expense of USD 4 thousand in the current period compared to an income of USD 32 thousand in the same period in 2015.

Loss before tax from continuing activities was USD 19.4 million for the first half 2016 compared to the loss of USD 36 million for the same period in 2015. The decrease in loss in 2016 is predominantly due to the respective Dussafu impairment charges.

Net loss for the period from discontinued operations was USD 26 thousand for the first half 2016 compared to net loss of USD 0.3 million for the same period in 2015.

The total net loss for the first half 2016 was USD 19.5 million, compared to a net loss of USD 36.4 million for 2015.

Minor movement in respective quarters to other comprehensive income was a result of currency translation adjustments for reporting purposes in both quarters.

Statement of financial position review

Movements to June 30, 2016 from March 31, 2016

Movements in the Group statement of financial position during the second quarter of 2016 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 96.1 million at June 30, 2016, an increase of USD 1.8 million from March 31, 2015.

Licences and exploration assets amounted to USD 14.6 million, effectively unchanged from USD 14.5 million as at March 31, 2016. The development assets balance amounted to USD 81.2 million as of June 30, 2016 from USD 78.6 million as March 31, 2016 with investments of USD 1.8 million in the current quarter and USD 0.8 million from the capitalisation of the Rubicon FPSO guarantee deposit, previously held in other non-current assets.

Property, furniture, fixtures and equipment was USD 209 thousand decreasing from USD 235 thousand at March 31, 2016.

Other non-current assets decreased to USD 0.2 million as at June 30, 2016 as a result of the capitalisation of the Rubicon FPSO guarantee deposit of USD 0.8 million. The remaining USD 0.2 million relates to the tenancy deposit for office premises.

Current assets

Current assets amounted to USD 8.3 million per June 30, 2016, compared to USD 10.5 million per March 31, 2016.

Trade and other receivables stood at USD 1.7 million, a decrease from USD 2.9 million at the end of March 2016. The main factor is the decrease in the receivable balance of prepaid Aje cash calls during the period.

Cash and bank balances stood at USD 6.6 million per June 30, 2016, a decrease from USD 7.6 million per March 31, 2016. The decrease is mainly attributed to Aje and Dussafu capital and operating cost cash calls paid during the quarter which amounted to USD 0.6 million and USD 0.2 million, respectively. However the effect of these cash calls was effectively offset by the injection of net proceeds from the Subsequent Offering during the quarter of approx. USD 1.1 million.

Equity

Equity amounted to USD 97.5 million per June 30, 2016, compared to USD 97.6 million at the end of March 2016. The change reflects increased equity, offset by costs of the Subsequent Offering and by the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 6.2 million remain unchanged for both periods, representing the inclusion of the Aje Field decommissioning provision of USD 1.8 million and a deferred tax liability of USD 4.4 million arising on a business combination in 2010. The deferred tax liability is expected to unwind proportionally following commencement of oil production from the Aje field.

Current liabilities

Current liabilities amounted to USD 0.8 million at June 30, 2016, compared to USD 1 million at the end of March 2016.

Accounts payable, accruals and other liabilities amounted to USD 0.8 million, a decrease from USD 1 million at the end of March 2016. The decrease represents lower corporate trade payables and operational accruals as at June 30, 2016.

Movements to June 30, 2016 from December 31, 2015

Movements in the Group statement of financial position during the first half of 2016 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 96.1 million at June 30, 2016, a decrease of USD 6.3 million from December 31, 2015.

Licences and exploration assets amounted to USD 14.6 million, a decrease of USD 16.4 million since December 2015. The effect of the Dussafu impairment charge in the period of USD 17.1 million has been marginally offset by capital additions on Dussafu permit progressing 2016 work programme with expenditure covering FEED, G&G and Engineering Management and the annual Surface Rental for the EEA area. The development assets balance amounted to USD 81.2 million as of June 30, 2016 with investments of USD 10.2 million in the first half of 2016 and USD 0.8 million from the capitalisation of the Rubicon FPSO guarantee deposit, previously held in other non-current assets.

Property, furniture, fixtures and equipment was USD 209 thousand decreasing from USD 266 thousand at December 31, 2015. The decrease represents the depreciation of office premises and information technology upgrades carried out in 2015.

Other non-current assets decreased to USD 0.2 million as at June 30, 2016 as a result of the capitalisation of the Rubicon FPSO guarantee deposit of USD 0.8 million. The remaining USD 0.2 million relates to the tenancy deposit for office premises.

Current assets

Current assets amounted to USD 8.3 million per June 30, 2016, compared to USD 12.6 million per December 31, 2015.

Trade and other receivables stood at USD 1.7 million at the end of both periods. Cash and bank balances stood at USD 6.6

million per June 30, 2016, a decrease from USD 10.9 million per December 31, 2015.

Equity

Equity amounted to USD 97.5 million per June 30, 2016, compared to USD 108.2 million at the end of December 2015. The change reflects increased equity, offset by costs of the Private Placement and Subsequent Offering and by the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 6.2 million remain unchanged for both periods, representing the inclusion of the Aje Field decommissioning provision of USD 1.8 million and a deferred tax liability of USD 4.4 million arising on a business combination in 2010. The deferred tax liability is expected to unwind proportionally following commencement of oil production from the Aje field.

Current liabilities

Current liabilities amounted to USD 0.8 million at June 30, 2016, effectively unchanged from USD 0.7 million at the end of December 2015.

Accounts payable, accruals and other liabilities amounted to USD 0.8 million at June 30, 2016 with only a marginal increase from USD 0.7 million at the end of December 2015.

Funding

As of June 30, 2016, the Company had USD 6.6 million in cash and bank balances and no debt. There is also unspent net cash in JV accounts of USD 1.6 million which is allocated to remaining capital and operating costs. As the Company has now reached the milestone of first oil production on the Aje field, offshore Nigeria, positive cash flow is expected in future quarters.

Risks & uncertainties

Investment in Panoro Energy ASA

Investment in Panoro Energy involves risks and uncertainties as described in Company's Annual Report for 2015.

As an oil and gas company operating in multiple jurisdictions in West Africa, exploration results, reserve and resource estimates and estimates for capital and operating expenditures are associated with uncertainty. The field's production performance may be uncertain over time.

The company is exposed to various forms of financial risks, including, but not limited to, fluctuation in oil prices, exchange rates, interest rates and capital requirements; these are described in the company's 2015 annual report and accounts, and in note 2.1 to the half year financial statements. The company is also exposed to uncertainties relating to the international capital markets and access to capital and this may influence the speed with which development projects can be accomplished.

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

- Stabilised production at Aje pending resolution of mechanical issues
- First sale of Aje crude
- Planning for Aje phase 2 and 3 continues
- Further interpretation work at OML 113 to examine exploration potential in the wider licence area
- Continuing preparations for possible exploration well in Dussafu and seeking industry participation in the licence
- Actively reviewing opportunities for growth

The Board of Directors

Panoro Energy ASA

August 23, 2016

Julien Balkany
Chairman of the Board

Hilde Ådland
Non-Executive Director

Alexandra Herger
Non-Executive Director

Torstein Sanness
Non-Executive Director

Garrett Soden
Non-Executive Director

Condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2016

2015	Q1 2016	Q2 2016	*Amounts in USD 000*	Note	YTD 2016	YTD 2015
(Unaudited)					*(Unaudited)*	
Continuing Operations			-			
-	-	-	Revenues		-	-
-	**-**	**-**	**Total revenues**		**-**	**-**
(342)	(235)	(204)	Exploration related costs and Operator G&A		(439)	(961)
(38)	-	-	Severance and restructuring costs		-	(38)
(1,297)	(944)	(1,028)	General and administrative costs		(1,972)	(2,603)
(14)	(31)	(26)	Depreciation		(57)	(28)
(32,445)	(16,960)	-	Impairment of Assets	6.2	(16,960)	(32,445)
-	-	(6)	Share based payments	5	(6)	-
(34,136)	**(18,170)**	**(1,264)**	**EBIT - Operating income/(loss)**		**(19,434)**	**(36,075)**
6	3	11	Interest costs net of income		14	62
(3)	(5)	(3)	Other financial costs net of income		(8)	(6)
(15)	20	(30)	Net foreign exchange gain/(loss)		(10)	(24)
(34,148)	**(18,152)**	**(1,286)**	**Income/(loss) before tax**		**(19,438)**	**(36,043)**
-	-	-	Income tax benefit/(expense)		-	-
(34,148)	**(18,152)**	**(1,286)**	**Net income/(loss) for the period from continuing operations**		**(19,438)**	**(36,043)**
Discontinued operations			-			
(88)	(6)	(20)	Net income / (loss) for the period from discontinued operations	4	(26)	(346)
(34,236)	**(18,158)**	**(1,306)**	**Net income / (loss) for the period**		**(19,464)**	**(36,389)**
19	2	(9)	Exchange differences arising from translation of foreign operations		(7)	48
19	**2**	**(9)**	**Other comprehensive income/(loss) for the period (net of tax)**		**(7)**	**48**
(34,217)	**(18,156)**	**(1,315)**	**Total comprehensive income/(loss) for the period (net of tax)**		**(19,471)**	**(36,341)**
			Net income /(loss) for the period attributable to:			
(34,236)	(18,158)	(1,306)	Equity holders of the parent		(19,464)	(36,389)
			Total comprehensive income / (loss) for the period attributable to:			
(34,217)	(18,156)	(1,315)	Equity holders of the parent		(19,471)	(36,341)
			Earnings per share	5		
(0.15)	(0.07)	(0.03)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(0.55)	(0.16)
(0.15)	(0.07)	(0.03)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.55)	(0.15)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2016

Amounts in USD 000		June 30, 2016	March 31, 2016	December 31, 2015
		(Unaudited)	*(Unaudited)*	*(Audited)*
Non-current assets				
Licenses and exploration assets	6/6.2	14,610	14,546	31,033
Development assets	6/6.1	81,174	78,574	70,195
Property, furniture, fixtures and office equipment		209	235	266
Other non-current assets		149	962	962
Total Non-current assets		**96,142**	**94,317**	**102,455**
Current assets				
Trade and other receivables		1,703	2,853	1,693
Cash and cash equivalents		6,640	7,639	10,948
Total current assets		**8,343**	**10,492**	**12,641**
Total Assets		**104,485**	**104,809**	**115,096**
Equity				
Share capital	7	305	290	193
Other equity		97,173	97,280	107,978
Total Equity attributable to equity holders of the parent		**97,478**	**97,570**	**108,171**
Non-current liabilities				
Decommissioning liability		1,856	1,856	1,856
Deferred tax liabilities		4,376	4,376	4,376
Total Non-current liabilities		**6,232**	**6,232**	**6,232**
Current liabilities				
Accounts payable, accruals and other liabilities		775	1,007	693
Total current liabilities		**775**	**1,007**	**693**
Total Liabilities		**7,007**	**7,239**	**6,925**
Total Equity and Liabilities		**104,485**	**104,809**	**115,096**

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED JUNE 30, 2016

Q2 2015	Q1 2016	Q2 2016	*Amounts in USD 000 - (Unaudited)*	YTD 2016	YTD 2015
			Cash flows from operating activities		
(34,148)	(18,152)	(1,286)	Net (loss)/ income from continuing operations	(19,438)	(36,043)
(88)	(6)	(20)	Net (loss)/ income from discontinued operations	(26)	(346)
(34,236)	(18,158)	(1,306)	**Net (loss)/ income for the period before tax**	(19,464)	(36,389)
			Adjusted for:		
14	31	26	Depreciation	57	28
32,509	16,969	-	Impairment and asset write-off	16,969	32,599
342	59	380	Exploration related costs and operator G&A	439	961
(12)	2	(8)	Net finance costs	(6)	(81)
-	-	6	Share-based payments	6	-
18	(20)	30	Foreign exchange gains/losses	10	21
145	276	(420)	Increase/(decrease) in trade and other payables	(144)	(565)
(172)	(227)	263	(Increase)/decrease in trade and other receivables	36	(100)
-	-	-	Taxes paid	-	-
(1,392)	**(1,068)**	**(1,029)**	**Net cash flows from operating activities**	**(2,097)**	**(3,526)**
			Cash flows from investing activities		
(1,241)	(9,787)	(2,005)	Investment in exploration, production and other assets	(11,792)	(3,188)
(149)	-	813	Movement in related non-current assets	813	(962)
(1,390)	**(9,787)**	**(1,192)**	**Net cash flows from investing activities**	**(10,979)**	**(4,150)**
			Cash flows from financing activities		
-	7,555	1,219	Net proceeds from Equity Private Placement	8,774	-
12	(2)	8	Net financial charges paid	6	81
12	**7,553**	**1,227**	**Net cash flows from financing activities**	**8,780**	**81**
3	(7)	(5)	Effect of foreign currency translation adjustment on cash balances	(12)	(21)
(2,767)	(3,309)	(999)	Change in cash and cash equivalents during the period	(4,308)	(7,616)
36,092	10,948	7,639	Cash and cash equivalents at the beginning of the period	10,948	40,941
33,325	**7,639**	**6,640**	**Cash and cash equivalents at the end of the period**	**6,640**	**33,325**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2016 *Amounts in USD 000*	**Attributable to equity holders of the parent**						
	Issued capital	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Currency translation reserve**	**Total**
At January 1, 2016 - (Audited)	**193**	**288,858**	**122,054**	**(259,539)**	**(37,647)**	**(5,747)**	**108,171**
Net income/(loss) for the period - Continuing Operations	-	-	-	(18,152)	-	-	(18,152)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(6)	-	-	(6)
Other comprehensive income/(loss)	-	-	-	-	-	2	2
Total comprehensive income/(loss)	-	-	-	(18,158)	-	2	(18,156)
Share Issue for cash	97	8,090	-	-	-	-	8,187
Transaction costs on Share Issue	-	(632)	-	-	-	-	(632)
At March 31, 2016 - (Unaudited)	**290**	**296,316**	**122,054**	**(277,697)**	**(37,647)**	**(5,745)**	**97,570**
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,286)	-	-	(1,286)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(20)	-	-	(20)
Other comprehensive income/(loss)	-	-	-	-	-	(9)	(9)
Total comprehensive income/(loss)	-	-	-	(1,306)	-	(9)	(1,315)
Share Issue for cash	15	1,288	-	-	-	-	1,303
Transaction costs on Share Issue	-	(84)	-	-	-	-	(84)
Employee share options charge/(benefit)	-	-	6	-	-	-	6
At June 30, 2016 - (Unaudited)	**305**	**297,520**	**122,059**	**(279,005)**	**(37,647)**	**(5,754)**	**97,478**

For the six months ended June 30, 2015 *Amounts in USD 000*	**Attributable to equity holders of the parent**						
	Issued capital	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Currency translation reserve**	**Total**
At January 1, 2015 - (Audited)	**56,333**	**288,858**	**65,914**	**(219,672)**	**(37,647)**	**(5,729)**	**148,057**
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,895)	-	-	(1,895)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(258)	-	-	(258)
Other comprehensive income/(loss)	-	-	-	-	-	30	30
Total comprehensive income/(loss)	-	-	-	(2,153)	-	30	(2,123)
At March 31, 2015 - (Unaudited)	**56,333**	**288,858**	**65,914**	**(221,825)**	**(37,647)**	**(5,699)**	**145,933**
Net income/(loss) for the period - Continuing Operations	-	-	-	(34,148)	-	-	(34,148)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(88)	-	-	(88)
Other comprehensive income/(loss)	-	-	-	-	-	19	19
Total comprehensive income/(loss)	-	-	-	(34,236)	-	19	(34,217)
At June 30, 2015 - (Unaudited)	**56,333**	**288,858**	**65,914**	**(256,061)**	**(37,647)**	**(5,680)**	**111,716**

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

Notes to the condensed consolidated financial statements

1. Corporate information

The holding Company, Panoro Energy ASA, was incorporated on April 28, 2009 as a public limited company under the Norwegian Public Limited Companies Act of June 19, 1997 No. 45. The registered organisation number of the Company is 994 051 067 and its registered address is c/o Michelet & Co Advokatfirma AS, Grundingen 3, 0250 Oslo, Norway.

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in West Africa. The condensed consolidated financial statements of the Group for the period ended June 30, 2016 were authorised for issue by the Board of Directors on August 23, 2016.

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 and the risk factors contained in the Company's 2015 Annual Report and the Company's recently published Prospectus. A copy of the 2015 Annual Report and the recently published Prospectus are 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 and assumptions

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's 2015 Annual Report.

During the second quarter, the Company started first oil production from its Aje field, offshore Nigeria. Between first oil in May 2016 and the commissioning of commercial production (post-period end), the field's test production has been stored to be sold at a later date. As a consequence of the timing of the test production, the company has adopted the policy that all pre-commissioning operating costs are deemed integral to the development of the field and will be capitalised to the cost of the asset in this pre-commissioning period. As a result on from this, these costs will be recognised in the income statement to align with the revenue from the sale of oil, which is expected in September 2016.

As of June 30, 2016, the Company had USD 6.6 million in cash and bank balance including NOK 10 million (USD 1.2 million) in gross proceeds raised through the Subsequent Offering. As a result and including anticipated cash flow from operations, the Group's liquidity situation has improved. The interim financial statements have been prepared under the assumption of going concern.

3. Segment information

The Group operated predominantly in one business segment being the exploration and production of oil and gas in West Africa. 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 33.33% working interest in the Dussafu Marin exploration licence in Gabon.
  - The OML113-Aje represents the Group's 12.1913% revenue interest, 16.255% paying interest and 6.5% participating interest) in the OML113-Aje exploration licence in Nigeria.
- The 'Corporate and others' category consists of head office and service company operations that are not directly attributable to the other segment. Further, it also includes the residual corporate business in Brazil which is expected to be dormant in the foreseeable future.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on capital and general expenditure. Details of group segments are reported below.

Q2 2015	Q1 2016	Q2 2016		YTD 2016	YTD 2015
(Unaudited)			**OPERATING SEGMENT - WEST AFRICA**	*(Unaudited)*	
			in USD 000		
(32,754)	(17,954)	(1,074)	Income / (Loss) for the period from continuing operations	(19,028)	(33,397)
32,445	17,147	-	Impairment of E&E Assets	17,147	32,445
-	96,480	-	Segment assets	97,183	84,549
			CORPORATE		
			in USD 000		
(1,394)	(198)	(213)	Income / (Loss) for the period from continuing operations	(411)	(2,300)
14	31	26	Depreciation and amortisation	57	28
-	8,262	-	Segment assets	7,242	33,362
			DISCONTINUED OPERATIONS		
			in USD 000		
(88)	(6)	(20)	Income / (Loss) for the period from discontinued operations	(26)	(346)
-	67	-	Segment assets	60	771
			CONSOLIDATED		
			in USD 000		
(34,148)	(18,152)	(1,287)	Income / (Loss) for the period from continuing operations	(19,439)	(35,697)
(88)	(6)	(20)	Income / (loss) for the period from discontinued operations	(26)	(346)
14	31	26	Depreciation and amortisation	57	28
32,445	17,147	-	Impairment of E&E Assets	17,147	32,445
-	104,809	-	Segment assets	104,485	118,682

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

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

Q2 2015	Q1 2016	Q2 2016		YTD 2016	YTD 2015
USD 000 - (Unaudited)				*USD 000 - (Unaudited)*	
-	-	-	Oil and gas revenue	-	-
-	**-**	**-**	**Total revenues and other income**	**-**	**-**
-	-	-	Production costs	-	-
-	-	-	Redundancies and restructuring costs	-	-
(11)	(11)	(20)	General and administration costs	(31)	(11)
(11)	**(11)**	**(20)**	**EBITDA**	**(31)**	**(11)**
-	-	-	Depreciation	-	-
-	-	-	Impairment	-	-
-	-	-	Share based payments	-	-
-	-	-	Gain/(loss) on sale of subsidiary	-	-
(11)	**(11)**	**(20)**	**EBIT - Operating income / (loss)**	**(31)**	**(11)**
6	6	1	Interest costs net of income	7	6
-	-		Other financial costs net of income	-	-
(1)	(1)	(1)	Net foreign exchange gain / (loss)	(2)	(1)
(6)	**(6)**	**(20)**	**Income / (loss) before tax**	**(26)**	**(6)**
-	-	-	Income tax benefit / (expense)	-	-
(6)	**(6)**	**(20)**	**Net income/(loss) for the period from discontinued**	**(26)**	**(6)**
(0.00)	(0.00)	(0.00)	Earning per share – basic and diluted (USD) for the period from discontinued operations	(0.00)	(0.00)

5. Earnings per share

Q2 2015	Q1 2016	Q2 2016	*Amounts in USD 000, unless otherwise stated*	YTD 2016	YTD 2015
	(Unaudited)			*(Unaudited)*	
(34,236)	(18,158)	(1,306)	Net profit / (loss) attributable to equity holders of the parent - **Total**	(19,464)	(36,389)
(34,148)	(18,152)	(1,286)	Net profit / (loss) attributable to equity holders of the parent - **Continuing operations**	(19,438)	(36,043)
234,546	278,502	42,319	Weighted average number of shares outstanding - in thousands	35,085	234,546
(0.15)	(0.07)	(0.03)	Basic and diluted earnings per share (USD) - Total	(0.55)	(0.16)
(0.15)	(0.07)	(0.03)	Basic and diluted earnings per share (USD) - Continuing operations	(0.55)	(0.15)

Diluted earnings per share

The weighted average number of shares and the EPS workings for Q2 2016 and YTD 2016 are calculated including the effect of the reverse share split that occurred during the quarter.

In June 2016, the Company announced that for the year 2015, the Board of Directors granted 200,000 Restricted Share Units ("RSUs") to the key employees of the Company under the long term incentive compensation plan approved by the shareholders. One Restricted Share Unit ("RSU") entitles the holder to receive one share of capital stock of the Company against payment in cash of the par value for the share. The par value is currently NOK 0.05 per share. Vesting of the RSUs is time based. The standard vesting period is 3 years, where 1/3 of the RSUs vest after one year, 1/3 vest after 2 years, and the final 1/3 vest after 3 years from grant. RSUs vest automatically at the respective vesting dates and the holder will be issued the applicable number of shares as soon as possible thereafter.

6. Licence interests, exploration and evaluation and development assets

	Licence Interest, Exploration and Evaluation Assets	Development Assets
	USD 000	*USD 000*
Net book value		
At January 1, 2016 *(Audited)*	31,033	70,195
Additions	724	10,979
Impairment of E&E Assets	(17,147)	-
At June 30, 2016 *(Unaudited)*	**14,610**	**81,174**

License interest, exploration and evaluation assets of USD 14.6 million relate to Dussafu asset.

6.1. Book values of development asset and equipment as of June 30, 2016

	USD 000
Net book value	
Development Costs - Facilities and Production Assets	43,229
Pre-Commissioning Operating Costs	1,011
Licence and Exploration Costs	35,078
Asset Retirement Obligation	1,856
At June 30, 2016 *(Unaudited)*	**81,174**

The costs in relation to OML 113 that are currently part of the development costs will be transferred to the respective categories in 3Q 2016 at the commissioning of the Aje field.

6.2. Provision for impairment

There was no addition to the 2016 Dussafu impairment provision of USD 17.1 million during the second quarter. This first quarter charge to the income statement was the result of the effect of low oil prices and was considered to be a fair and current reflection on the Company's valuation of the carrying value of the asset. The recognition of such provision is prudent and conservative treatment without an underlying change in technical view of the asset and the associated volumes. There was an offset of USD 187 thousand through a return of capital, received from the Company's fully impaired investment in its subsidiary, Panoro Energy do Brasil Ltda.

7. Share capital

Following the Equity Private Placement in the first quarter, the Company issued NOK 10 million (approximately USD 1.2 million) in gross proceeds through the subscription and allocation of 23,809,500 new shares in a Subsequent Offering to the shareholders that did not participate in the Equity Private Placement. The new shares were issued at a subscription price of NOK 0.42 per share. Following registration of the new shares issued in the Subsequent Offering, the total number of issued shares in the Company are 425,021,952 each having a par value of NOK 0.005.

At the end of May 2016, the Company completed a reverse split of the Company's shares at a ratio of 10:1 resulting in an increase in the share capital of NOK 0.04. Following the registration of the reverse split and capital increase and as at June 30, 2016, the Company had a registered share capital of NOK 2,125,109.80 divided into 42,502,196 shares with a nominal value of NOK 0.05.

8. Subsequent events

In July, 2016, the Company announced that the commissioning of the Front Puffin FPSO was completed, and the Front Puffin FPSO was on hire following the 72 hour test. Targeted stabilised production rates have not yet been achieved, due to mechanical issues and Nigerian regulatory approvals. Until the outstanding issues are resolved, which could take until the end of Q4 2016, production will be maintained at a restricted daily rate of approximately 7,000-8,000 barrels of oil. It is expected that the first crude oil lifting from the Front Puffin FPSO will take place at the end of August. In the meantime we continue to be encouraged by the performance of the reservoir to date. Laboratory assays have been delivered on Aje crude oil which show it to be as expected a high quality grade of approximately 42 degree API. Several international oil companies and trading houses have expressed interest in purchasing Aje crude.

Material reductions in operating costs have also been achieved at Aje, and continuing efforts are being made to secure further savings. Work continues for planning of Aje Phase 2 (additional Cenomanian oil wells) and Phase 3 (Turonian gas and condensate), and in evaluating the wider exploration potential on OML 113.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2016 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.

Julien Balkany
Chairman of the Board

Hilde Ådland
Non-Executive Director

Alexandra Herger
Non-Executive Director

Torstein Sanness
Non-Executive Director

Garrett Soden
Non-Executive Director

Other information

Financial calendar

August 24, 2016	Second quarter 2016 results
November 17, 2016	Third quarter 2016 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
MMbbl	Million barrels of oil
MMBOE	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm^3	Million cubic meters
Tcf	Trillion cubic feet

Disclaimer

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