Panoro Energy

Third Quarter Report 2016

November 16, 2016

MT London Spirit -
Vessel used in Aje's first cargo lifting,
September 15, 2016

Contents

Highlights and events

Third Quarter 2016 highlights and subsequent events

- First lifting and sale of crude in September 2016, proceeds received in October 2016
- Cash balance of USD 3.5 million as at September 30, 2016 and no debt. In addition, net oil revenues of USD 3.0 million received in October 2016 (USD 3.5 million in revenue before taxes and royalty)
- Remediation work on Aje-5 well scheduled to commence in December 2016
- Aje oil production guidance at a range of 7,000 to 9,000 bopd gross remains unchanged, pending resolution of all current mechanical issues

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)

Production from the Aje field continued in the quarter and we are pleased to report that the first lifting of Aje crude was completed on 15th of September and proceeds from the sale of the crude were received by Panoro in our Norwegian bank account in October. A total of 74,089 barrels of oil net to Panoro were lifted and sold to Glencore at a slight premium to Brent pricing at the time of lifting. Panoro's net share of proceeds from this sale before payment of royalty and taxes was USD 3.5 million. This represents the first cashflow inflow from the Aje field and establishes Panoro as a production company.

Production from Aje during the quarter continued to be limited by the performance of the Aje-5 well which, as we reported last quarter, requires subsurface intervention to remedy a mechanical problem. In addition availability of gas lift on the FPSO to optimise production rates was limited and some modifications and repair to components of that system have been necessary. The gas lift system engineering work has been delayed but is now well underway and the system is planned to be operational again in the near future. The delay in using the gas lift system has impacted production during the third quarter and will also affect the production expected in Q4. The Aje-4 well meanwhile produced throughout the quarter and continues to perform better than anticipated in our earlier modelling. On average the Aje field produced at just over 600 barrels of oil per day net to Panoro during the quarter.

Preparations for the Aje-5 intervention programme have started with procurement of long lead items and rig contracting. The intervention is scheduled to be undertaken at the end of 2016 and is designed to remedy mechanical issues with the completion of the well. It is expected that the Aje field will be producing regularly at our earlier stated target rates of 7,000-9,000 barrels of oil per day once the Aje-5 well is successfully brought back on line which we anticipate to be in early 2017.

The Aje gas development project, which involves production and sale of gas and liquids from the 163 mmboe Turonian reservoir, is moving through concept definition towards a Field Development Plan. We expect to submit detailed plans for the project for approval during the first half of 2017.

Regarding the exploration potential in OML 113 outside of the Aje field itself, Panoro have almost completed a prospective resource review with the reserves auditing company AGR TRACS International. Panoro will provide a summary of this report during Q4.

GABON

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

In Gabon, we note the recent press releases from our partner and operator, Harvest Natural Resources, in which they state that they have received two proposals for the purchase of Dussafu. We are in close dialogue with Harvest on the project and their possible sale. We expect to be able to announce progress on Dussafu with a plan for developing the existing resources, a transaction or exploration plans in the coming months.

CORPORATE AND FUNDING

The Company had USD 3.5 million in cash and bank balances as of September 30, 2016 with an additional USD 3.0 million received from Aje crude sale in October 2016 (net of royalty and taxes). The Company is adequately funded for its current operations, however may require funding for future capital investments in our existing projects. Should the Company need to seek additional financing, a combination of debt, equity or asset divestment could be considered. The Company cannot be sure that such financing will be available when needed on reasonable terms. Based on an overall assessment, the financial statements have been prepared under the assumption of going concern and realization of assets and settlement of debt in normal operations.

The Company's General and Administration (G&A) costs reduced by approximately 24% year-on-year to USD 2.9 million in the nine months to September 30, 2016 compared to USD 3.8 million in the same period in 2015. The reduction is mainly a result of continued cost saving efforts and positive currency variations on GBP denominated costs.

The Company's formal exit from its historical Brazilian business is still ongoing with slow progress towards the approval 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 and ensuring that the ongoing costs are kept to a minimum. However, the timing of such conclusion will be subject to necessary approvals by the Brazilian Regulator ANP.

Financial information

Income statement review

Following the commencement of oil production from its Aje field, offshore Nigeria during the second quarter and the commissioning of commercial production during the third quarter, the Company's reported EBITDA is included in the third quarter report to reflect this.

Third quarter 2016 versus second quarter 2016

Panoro Energy reported an EBITDA of negative USD 0.8 million for the third quarter 2016, compared to negative USD 1.2 million in the second quarter.

Third quarter EBITDA includes the oil and gas revenue from the first lifting from the Aje field and the associated operating costs. In addition to the inclusion of Aje's first lifting, a decline in G&A and exploration related costs was also noted.

Oil and gas revenue in the third quarter 2016 was USD 3.5 million and is based on the Company's entitlement barrels. The revenue was generated by the sale of the net entitlement volume of 74,089 bbls.

Operating costs in the third quarter 2016 included two components, pre- and post-commencement costs. Pre-commencement costs, which were held on the balance sheet in the second quarter and released to the income statement in the third quarter, were USD 1.1 million with post-commencement costs of USD 1.9 million. Field operating costs per production barrel were USD 29.79/bbl and USD 32.80/bbl with royalties included. Through a carry arrangement, under the OML 113 Joint Operations Agreement (JOA), the Company's share of capital and operating expenditure is 16.255% (paying interest), whereas the allocation of revenue to the Company is at 12.1913% (revenue interest). Based on the net barrels produced which the Company is entitled to sell, Panoro's operating costs per barrel equated to USD 39.72/bbl and USD 43.73/bbl with royalties included. The revenue allocation of 12.1913% will increase to 16.255% once certain pre-defined financial thresholds are met under the JOA.

The composition of the operating cost is largely a fixed cost base with very little variable cost element. Due to lower than expected production during the period, the operating cost per USD/bbl is high relative to estimates (which had been based on 9,000 bopd). On a normalised production range of 7,000-9,000 bopd, expected after successful remediation work on Aje-5, the operating cost per barrel is expected to reduce to be in line with previous estimates. In addition, operating costs have been reviewed aggressively at the JV level and material savings are expected to be achieved through cost cutting measures and price renegotiations with key suppliers. Such savings will be achieved in the forthcoming months.

Furthermore, one-off pre-commencement operating costs are not expected to arise in subsequent quarters, thus reducing the ongoing operating costs further.

Panoro Energy reported a net loss of USD 2.2 million from continuing operations for the third quarter 2016, an increase in loss of USD 0.9 million, compared to a loss of USD 1.3 million in the second quarter 2016. The increase in loss was a combination of the inclusion of the depreciation of the Aje Cenomanian oil field of USD 1.3 million during the third quarter and the impact of the revenue and production costs of the Company's first lifting from the Aje field.

Exploration related costs and operator G&A were USD 21 thousand considerably down from the previous quarter of USD 0.2 million as Aje costs are now reported as operating costs.

General and Administration costs from continuing activities decreased marginally from USD 1.0 million in Q2 2016 to USD 0.9 million in Q3 2016. The reduction is a result of continued cost saving efforts and by currency variations on GBP denominated costs.

Depreciation for the current quarter was USD 1.3 million increasing from USD 26 thousand in Q2 2016 as a result of the commencement of the depreciation of the Aje Cenomanian oil field during the quarter.

EBIT from continuing operations was thus a negative USD 2.1 million in the third quarter 2016, compared to a negative USD 1.3 million in the second quarter 2016.

Net financial items amounted to a net expense of USD 7 thousand in the third quarter 2016 compared to an expense of USD 22 thousand in the second quarter.

Loss before tax from continuing activities was USD 2.2 million in the third quarter 2016 which was higher by USD 0.9 million compared to previous quarter loss of USD 1.3 million.

Net loss for the period from discontinued operations was USD 293 thousand for the current quarter, an increase in loss of USD 273 thousand from the second quarter. This was due to continuing exit costs and historical tax charges.

The total net loss was USD 2.5 million, compared to a net loss of USD 1.3 million in the second 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 an EBITDA of negative USD 3.2 million for the nine months to September 30, 2016, compared to negative USD 5.3 million in the same period in 2015.

EBITDA includes the oil and gas revenue from the first lifting from the Aje field and the associated operating costs. In addition to the inclusion of Aje's first lifting, a decline in G&A and exploration related costs was also noted.

Oil and gas revenue in the period was USD 3.5 million and is based on the Company's entitlement barrels. The revenue was generated by the sale of the net entitlement volume of 74,089 bbls.

Operating costs in the period included two components, pre- and post-commencement costs. Pre-commencement costs, which were held on the balance sheet in the second quarter and released to the income statement in the third quarter, were USD 1.1 million with post-commencement costs of USD 1.9 million. Field operating costs per production barrel were USD 29.79/bbl and USD 32.80/bbl with royalties included. Through a carry arrangement, under the OML 113 Joint Operations Agreement (JOA), the Company's share of capital and operating expenditure is 16.255% (paying interest), whereas the allocation of revenue to the Company is at 12.1913% (revenue interest). Based on the net barrels produced which the Company is entitled to sell, Panoro's operating costs per barrel equated to USD 39.72/bbl and USD 43.73/bbl with royalties included. The revenue allocation of 12.1913% will increase to 16.255% once certain pre-defined financial thresholds are met under the JOA.

The composition of the operating cost is largely a fixed cost base with very little variable cost element. Due to lower than expected production during the period, the operating cost per USD/bbl is high relative to estimates (which had been based on 9,000 bopd). On a normalised production range of 7,000-9,000 bopd, expected after successful remediation work on Aje-5, the operating cost per barrel is expected to reduce to be in line with previous estimates. In addition, operating costs have been reviewed aggressively at the JV level and material savings are expected to be achieved through cost cutting measures and price renegotiations with key suppliers. Such savings will be achieved in the forthcoming months.

Panoro Energy reported a net loss of USD 21.6 million from continuing operations for the nine months to September 30, 2016, a decrease in loss of USD 16.1 million, compared to a loss of USD 37.7 million in the same period in 2015. The decrease in loss of USD 16.1 million was significantly affected by lower non-cash impairment charges in 2016.

Exploration related costs and operator G&A decreased to USD 0.5 million in the nine months to September 30, 2016, down from USD 1.5 million in same period in 2015. This is consistent with the majority of the Aje operator general and administrative costs since first oil being classified as operating costs in 2016.

General and Administration costs from continuing operations decreased to USD 2.9 million in the nine months to September 30, 2016 compared to USD 3.8 million in the comparative period in 2015 culminating in a year-on-year decrease of 24.1%. The reduction is a result of continued cost saving efforts and by currency variations on GBP denominated costs.

Depreciation for the nine months to September 30, 2016 was USD 1.4 million increasing from USD 57 thousand in the same period in 2015 as a direct result of the commencement of the depreciation of the Aje Cenomanian oil field in 2016.

During the nine months to September 30, 2016, the Company recorded a non-cash provision for impairment of USD 17.1 million against 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 same period of 2015.

EBIT from continuing operations was thus a negative USD 21.6 million for the nine months to September 30, 2016, compared to a negative USD 37.8 million in the same period of 2015.

Net financial items amounted to an expense of USD 11 thousand in the current period compared to an income of USD 42 thousand in the same period in 2015. This is due to accretion of USD 40 thousand national interest on the Aje Asset Retirement Obligation.

Loss before tax from continuing activities was USD 21.6 million for the nine months to September 30, 2016 compared to the loss of USD 37.7 million for the same period in 2015. The decrease in loss in 2016 is predominantly due to lower Dussafu impairment charges.

Net loss for the period from discontinued operations was USD 0.3 million for the nine months to September 30, 2016 compared to net loss of USD 0.4 million for the same period in 2015.

The total net loss for the nine months to September 30, 2016 was USD 21.9 million, compared to a net loss of USD 38.2 million for 2015.

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

Statement of financial position review

Movements to September 30, 2016 from June 30, 2016

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

Non-current assets

Non-current assets amounted to USD 94.5 million at September 30, 2016, a decrease of USD 1.6 million from June 30, 2016.

Historically, all Aje costs were held in the Development line prior to the bifurcation exercise upon Aje production that identified the Exploration and Evaluation (E&E) Asset and Production Asset components. Following the commencement of commercial production from Aje Cenomanian oil field during the quarter, the Aje related capitalised costs have been reclassified from Development Assets to 1) E&E Assets and 2) Production Assets and Equipment. The E&E assets classified were USD 31.6 million whereas the Production assets and equipment amounted to USD 48.6 million. The overall movement in total non-current assets was a result of depreciation charge on Aje production assets and equipment of USD 1.3 million for the current quarter and expensing of previously capitalised pre-commencement operating costs of USD 1.1 million. This was offset by overall additions of USD 0.8 million. Property, furniture, fixtures and equipment was USD 187 thousand decreasing from USD 209 thousand at June 30, 2016.

Other non-current assets remained unchanged at USD 0.2 million for both quarters and relates to the tenancy deposit for office premises.

Current assets

Current assets amounted to USD 8.0 million as of September 30, 2016, compared to USD 8.3 million at June 30, 2016.

Trade and other receivables stood at USD 4.0 million, an increase from USD 1.7 million at the end of June 2016. The movement is due to trade receivable of USD 3.5 million for Aje's first lifting during the quarter. This is partially offset by a reduction in the receivable balance of prepaid Aje and Dussafu cash calls during the period. In addition, USD 0.5 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory.

Cash and bank balances stood at USD 3.5 million at September 30, 2016, a decrease from USD 6.6 million at June 30, 2016. The decrease is mainly attributed to operating cost payments for Aje and project cash call payments in relation to Dussafu and Brazil during the quarter, which collectively amounted to USD 2.4 million.

Equity

Equity amounted to USD 95.0 million as of September 30, 2016, compared to USD 97.5 million at the end of June 2016. The change reflects the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 6.2 million remain broadly unchanged for both periods, representing the marginal increase in the Aje Field decommissioning provision to USD 1.9 million, with a small reduction in the deferred tax liability to USD 4.2 million. The deferred tax liability has begun to unwind proportionally following commencement of commercial oil production from the Aje field during the quarter.

Current liabilities

Current liabilities amounted to USD 1.3 million at September 30, 2016, compared to USD 0.8 million at the end of June 2016.

Accounts payable, accruals and other liabilities amounted to USD 1.0 million, an increase from USD 0.8 million at the end of June 2016. The increase represents royalty due on Aje's first lifting, higher corporate trade payables and operational accruals as at September 30, 2016. The tax liability of USD 0.3 million is made up of two components, USD 0.2 million for the tax oil associated with the first cargo lifting from the Aje field and USD 0.1 million in relation to historical tax liability in Brazil.

Movements to September 30, 2016 from December 31, 2015

Movements in the Group statement of financial position during the nine months to September 30, 2016 were a combination of the following:

Non-current assets

Historically, all Aje costs were held in the Development line prior to the bifurcation exercise upon Aje production that identified the Exploration and Evaluation (E&E) Asset and Production Asset components. Following the commencement of commercial production from Aje Cenomanian oil field during the period, the Aje related capitalised costs have been reclassified from Development Assets to 1) E&E Assets and 2) Production Assets and Equipment. The E&E assets classified were USD 31.6 million whereas the Production assets and equipment amounted to USD 48.6 million. The overall movement in total non-current assets was a result of depreciation charge on Aje production assets and equipment of USD 1.3 million for the current period and expensing of previously capitalised pre-commencement operating costs of USD 1.1 million.

Non-current assets amounted to USD 94.5 million at September 30, 2016, a decrease of USD 7.9 million from December 31, 2015. This can be analysed as: capital additions during the period were USD 12.5 million, offset by USD 17.1 million Dussafu impairment charge, USD 1.0 million expensing of Aje pre-commencement costs and USD 1.3 million depreciation charge.

Property, furniture, fixtures and equipment was USD 187 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 September 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 8.0 million per September 30, 2016, compared to USD 12.6 million per December 31, 2015.

Trade and other receivables stood at USD 4.0 million, an increase from USD 1.7 million at the end of December 2015. The movement is due to trade receivable of USD 3.5 million for Aje's first lifting during the quarter. This is partially offset by a reduction in the receivable balance of prepaid Aje and Dussafu cash calls during the period. In addition, USD 0.5 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory.

Cash and bank balances stood at USD 3.5 million at September 30, 2016, a decrease from USD 10.9 million at December 31, 2015. The decline is due to investment in assets and corporate expenses in the period.

Equity

Equity amounted to USD 95.0 million as per September 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 broadly unchanged for both periods, representing the marginal increase in the Aje Field decommissioning provision to USD 1.9 million, with a small reduction in the deferred tax liability to USD 4.2 million. The deferred tax liability has begun to unwind proportionally following commencement of commercial oil production from the Aje field during the reporting period.

Current liabilities

Current liabilities amounted to USD 1.3 million at September 30, 2016, compared to USD 0.7 million at the end of December 2015.

Accounts payable, accruals and other liabilities amounted to USD 1.0 million, an increase from USD 0.7 million at the end of December 2015. The increase represents royalty due on Aje's first lifting, higher corporate trade payables and operational accruals as at September 30, 2016. The tax liability of USD 0.3 million is made up of two components, USD 0.2 million for the tax oil payable associated with the first cargo lifting from the Aje field and USD 0.1 million in relation to historical tax liability in Brazil.

Outlook

- Stabilised production at Aje pending resolution of mechanical issues
- Completion of prospective resources review at OML 113 to examine exploration potential in the wider licence area
- Anticipate near-term progress on the Dussafu project development plans
- Actively reviewing opportunities to create shareholder value

The Board of Directors

Panoro Energy ASA

November 16, 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 SEPTEMBER 30, 2016

Q3 2015	Q2 2016	Q3 2016	*Amounts in USD 000*	Note	YTD 2016	YTD 2015
(Unaudited)					*(Unaudited)*	
Continuing Operations			-			
-	-	3,487	Oil and gas revenue		3,487	-
-	**-**	**3,487**	**Total revenues**		**3,487**	**-**
-	-	(1,092)	Pre-commencement operating costs	8	(1,092)	-
-	-	(2,257)	Operating costs	8	(2,257)	-
(490)	(204)	(21)	Exploration related costs and Operator G&A		(460)	(1,451)
-	-	-	Severance and restructuring costs		-	(38)
(1,178)	(1,028)	(897)	General and administrative costs		(2,869)	(3,781)
(1,668)	**(1,232)**	**(780)**	**EBITDA**		**(3,191)**	**(5,270)**
(29)	(26)	(1,346)	Depreciation, depletion and amortisation		(1,403)	(57)
0	-	-	Impairment of Assets	6.1	(16,960)	(32,445)
-	(6)	(20)	Share based payments		(26)	-
(1,697)	**(1,264)**	**(2,146)**	**EBIT - Operating income/(loss)**		**(21,580)**	**(37,772)**
23	11	32	Interest income net of costs		46	85
(4)	(3)	(46)	Other financial costs net of income		(54)	(10)
(9)	(30)	7	Net foreign exchange gain/(loss)		(3)	(33)
(1,687)	**(1,286)**	**(2,153)**	**Income/(loss) before tax**		**(21,591)**	**(37,730)**
-	-	-	Income tax benefit/(expense)	9	-	-
(1,687)	**(1,286)**	**(2,153)**	**Net income/(loss) for the period from continuing operations**		**(21,591)**	**(37,730)**
Discontinued operations			-			
(74)	(20)	(293)	Net income / (loss) for the period from discontinued operations	4	(319)	(420)
(1,761)	**(1,306)**	**(2,446)**	**Net income / (loss) for the period**		**(21,910)**	**(38,150)**
(33)	(9)	(4)	Exchange differences arising from translation of foreign operations		(11)	15
(33)	**(9)**	**(4)**	**Other comprehensive income/(loss) for the period (net of tax)**		**(11)**	**15**
(1,794)	**(1,315)**	**(2,450)**	**Total comprehensive income/(loss) for the period (net of tax)**		**(21,921)**	**(38,135)**
			Net income /(loss) for the period attributable to:			
(1,761)	(1,306)	(2,446)	Equity holders of the parent		(21,910)	(38,150)
			Total comprehensive income / (loss) for the period attributable to:			
(1,794)	(1,315)	(2,450)	Equity holders of the parent		(21,921)	(38,135)
			Earnings per share	5		
(0.01)	(0.03)	(0.06)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(0.58)	(0.16)
(0.01)	(0.03)	(0.05)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.57)	(0.16)

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

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

Amounts in USD 000		September 30, 2016 (Unaudited)	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Non-current assets				
Licenses and exploration assets	6/6.1	46,639	14,610	31,033
Production assets and equipment	6	47,545	-	-
Development assets	6	-	81,174	70,195
Property, furniture, fixtures and office equipment		187	209	266
Other non-current assets		149	149	962
Total Non-current assets		**94,520**	**96,142**	**102,455**
Current assets				
Crude Oil Inventory		522	-	-
Trade and other receivables		3,959	1,703	1,693
Cash and cash equivalents		3,548	6,640	10,948
Total current assets		**8,029**	**8,343**	**12,641**
Total Assets		**102,549**	**104,485**	**115,096**
Equity				
Share capital	7	305	305	193
Other equity		94,744	97,173	107,978
Total Equity attributable to equity holders of the parent		**95,049**	**97,478**	**108,171**
Non-current liabilities				
Decommissioning liability		1,898	1,856	1,856
Deferred tax liabilities	9	4,199	4,376	4,376
Other long-term liabilities		119	-	-
Total Non-current liabilities		**6,216**	**6,232**	**6,232**
Current liabilities				
Accounts payable, accruals and other liabilities		1,023	775	693
Corporation tax liability		261	-	-
Total current liabilities		**1,284**	**775**	**693**
Total Liabilities		**7,500**	**7,007**	**6,925**
Total Equity and Liabilities		**102,549**	**104,485**	**115,096**

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

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

Q3 2015	Q2 2016	Q3 2016	*Amounts in USD 000 - (Unaudited)*	YTD 2016	YTD 2015
			Cash flows from operating activities		
(1,687)	(1,286)	(2,153)	Net (loss)/ income from continuing operations	(21,591)	(37,730)
(74)	(20)	(182)	Net (loss)/ income from discontinued operations	(208)	(420)
(1,761)	(1,306)	(2,335)	**Net (loss)/ income for the period before tax**	(21,799)	(38,150)
			Adjusted for:		
29	26	1,346	Depreciation	1,403	57
40	-	139	Impairment and asset write-off	17,108	32,639
490	380	21	Exploration related costs and operator G&A	460	1,451
6	(8)	14	Net finance costs	8	(75)
-	6	20	Share-based payments	26	-
11	30	(7)	Foreign exchange gains/losses	3	32
15	(420)	593	Increase/(decrease) in trade and other payables	449	(550)
(119)	263	(3,219)	(Increase)/decrease in trade and other receivables	(3,183)	(219)
-	-	(522)	(Increase)/decrease in crude oil inventory	(522)	-
-	-	(27)	Taxes paid	(27)	-
(1,289)	**(1,029)**	**(3,977)**	**Net cash flows from operating activities**	**(6,074)**	**(4,815)**
			Cash flows from investing activities		
(14,954)	(2,005)	861	Investment in exploration, production and other assets	(10,931)	(18,142)
-	813	-	Movement in related non-current assets	813	(962)
(14,954)	**(1,192)**	**861**	**Net cash flows from investing activities**	**(10,118)**	**(19,104)**
			Cash flows from financing activities		
(6)	1,219	-	Net proceeds from Equity Private Placement	8,774	-
-	8	27	Net financial income (net of charges paid)	33	75
(6)	**1,227**	**27**	**Net cash flows from financing activities**	**8,807**	**75**
10	(5)	(3)	Effect of foreign currency translation adjustment on cash balances	(15)	(11)
(16,239)	(999)	(3,092)	Change in cash and cash equivalents during the period	(7,400)	(23,855)
33,325	7,639	6,640	Cash and cash equivalents at the beginning of the period	10,948	40,941
17,086	**6,640**	**3,548**	**Cash and cash equivalents at the end of the period**	**3,548**	**17,086**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 30, 2016 *Amounts in USD 000*	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
	Attributable to equity holders of the parent						
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**
Net income/(loss) for the period - Continuing Operations	-	-	-	(2,153)	-	-	(2,153)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(293)	-	-	(293)
Other comprehensive income/(loss)	-	-	-	-	-	(4)	(4)
Total comprehensive income/(loss)	-	-	-	(2,446)	-	(4)	(2,450)
Transaction costs on Share Issue	-	(3)	-	-	-	-	(3)
Employee share options charge/(benefit)	-	-	21	-	-	-	21
At September 30, 2016 - (Unaudited)	**305**	**297,517**	**122,080**	**(281,449)**	**(37,647)**	**(5,758)**	**95,049**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 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**
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,687)	-	-	(1,687)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(74)	-	-	(74)
Other comprehensive income/(loss)	-	-	-	-	-	(33)	(33)
Total comprehensive income/(loss)	-	-	-	(1,761)	-	(33)	(1,794)
Reduction in registered share capital	(56,140)	-	56,140	-	-	-	-
At September 30, 2015 - (Unaudited)	**193**	**288,858**	**122,054**	**(257,822)**	**(37,647)**	**(5,713)**	**109,923**

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 September 30, 2016 were authorised for issue by the Board of Directors on November 16, 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.

Following the commencement of commercial production on Aje field, offshore Nigeria, Panoro has adopted an IFRS compliant accounting policy that can be consistently applied when the Company expands operations further. As such, all revenues arising from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer, which is typically at the point that title passes, and the revenue can be reliably measured. Revenue from the production of natural gas and oil in which Panoro Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts, the entitlement method. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

The interim financial statements have been prepared on a going concern basis, however, there are uncertainties related to this assessment.

The Company had USD 3.5 million in cash and bank balances as of September 30, 2016 with an additional USD 3.0 million received from Aje crude sale in October 2016 (net of royalty and taxes). The Company is adequately funded for its current operations, however may require funding for future capital investments in our existing projects. Should the Company need to seek additional financing, a combination of debt, equity or asset divestment could be considered. The Company cannot be sure that such financing will be available when needed on reasonable terms. Based on an overall assessment, the financial statements have been prepared under the assumption of going concern and realization of assets and settlement of debt in normal operations.

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.

Q3 2015	Q2 2016	Q3 2016		YTD 2016	YTD 2015
	(Unaudited)		**OPERATING SEGMENTS - GROUP NET SALES**	*(Unaudited)*	
-	-	615	**Net average daily oil production - Aje** *(bopd)*	618	-
-	-	74,089	**Oil sales** *(bbls) Net to Panoro*	74,089	-

Q3 2015	Q2 2016	Q3 2016		YTD 2016	YTD 2015
	(Unaudited)		**OPERATING SEGMENT - WEST AFRICA**	*(Unaudited)*	
			in USD 000		
(518)	(189)	(61)	**EBITDA**	(562)	(1,464)
-	17,147	-	Impairment of E&E Assets	17,147	32,445
-	-	1,324	Depreciation and amortisation	1,324	-
-	-	-	Segment assets	98,211	97,284
			CORPORATE		
			in USD 000		
(1,151)	(1,043)	(719)	**EBITDA**	(2,629)	(3,807)
29	26	22	Depreciation and amortisation	79	57
-	-	-	Segment assets	3,923	17,268
			DISCONTINUED OPERATIONS		
			in USD 000		
(74)	(20)	(293)	Income / (Loss) for the period from discontinued operations	(319)	(420)
-	-	-	Segment assets	415	630
			CONSOLIDATED		
			in USD 000		
(1,669)	(1,232)	(780)	**EBITDA**	(3,191)	(5,271)
(74)	(20)	(293)	Income / (loss) for the period from discontinued operations	(319)	(420)
29	26	1,346	Depreciation and amortisation	1,403	57
-	17,147	-	Impairment of E&E Assets	17,147	32,445
-	-	-	Segment assets	102,549	115,182

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:

Q3 2015	Q2 2016	Q3 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	-	-
(29)	(20)	(17)	General and administration costs	(48)	(253)
(29)	**(20)**	**(17)**	**EBITDA**	**(48)**	**(253)**
-	-	-	Depreciation	-	-
(40)	-	(148)	Impairment	(148)	(194)
-	-	-	Share based payments	-	-
-	-	-	Gain/(loss) on sale of subsidiary	-	-
(69)	**(20)**	**(165)**	**EBIT - Operating income / (loss)**	**(196)**	**(447)**
5	1	-	Interest costs net of income	7	28
-		-	Other financial costs net of income	-	-
(10)	(1)	(17)	Net foreign exchange gain / (loss)	(19)	(1)
(74)	**(20)**	**(182)**	**Income / (loss) before tax**	**(208)**	**(420)**
-	-	(111)	Income tax benefit / (expense)	(111)	-
(74)	**(20)**	**(293)**	**Net income/(loss) for the period from discontinued operations**	**(319)**	**(420)**
(0.00)	(0.00)	(0.01)	Earning per share – basic and diluted (USD) for the period from discontinued operations	(0.01)	(0.00)

5. Earnings per share

Q3 2015	Q2 2016	Q3 2016	*Amounts in USD 000, unless otherwise stated*	YTD 2016	YTD 2015
	(Unaudited)			*(Unaudited)*	
(1,761)	(1,306)	(2,446)	Net profit / (loss) attributable to equity holders of the parent - **Total**	(21,910)	(38,150)
(1,687)	(1,286)	(2,153)	Net profit / (loss) attributable to equity holders of the parent - **Continuing operations**	(21,591)	(37,730)
234,546	42,319	42,502	Weighted average number of shares outstanding - in thousands	37,575	234,546
(0.01)	(0.03)	(0.06)	Basic and diluted earnings per share (USD) - Total	(0.58)	(0.16)
(0.01)	(0.03)	(0.05)	Basic and diluted earnings per share (USD) - Continuing operations	(0.57)	(0.16)

Diluted earnings per share

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

6. Licence interests, exploration and evaluation, development and production assets

	Licence Interest, Exploration and Evaluation Assets	Development Assets	Production Assets
	USD 000	*USD 000*	*USD 000*
Net book value			
At January 1, 2016 *(Audited)*	31,033	70,195	-
Additions	1,191	10,979	268
Transfer from Development Assets	31,562	(80,163)	48,601
Transfer of Pre-Commissioning Operating Costs	-	(1,011)	-
Depreciation	-	-	(1,324)
Impairment of E&E Assets	(17,147)	-	-
At September 30, 2016 ***(Unaudited)***	**46,639**	**-**	**47,545**

Upon commencement of commercial production from the Aje field, offshore Nigeria, historical costs capitalised since inception have been reviewed and bifurcated between costs attributable to Cenomanian Oil field and other gas discoveries on the OML 113 license. As a result, bifurcated costs has been broadly categorised between Exploration & evaluation assets and Production Assets.

6.1. Provision for impairment

There was no addition to the Dussafu impairment provision of USD 17.1 million during the third 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

As at September 30, 2016 and 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. Operating Costs

Operating costs in the third quarter 2016 included two components, pre- and post-commencement costs. Pre-commencement costs, which were held on the balance sheet in the second quarter and released to the income statement in the third quarter, were USD 1.1 million with post-commencement costs of USD 1.9 million. Field operating costs per production barrel were USD 29.79/bbl and USD 32.80/bbl with royalties included. Through a carry arrangement, under the OML 113 Joint Operations Agreement (JOA), the Company's share of capital and operating expenditure is 16.255% (paying interest), whereas the allocation of revenue to the Company is at 12.1913% (revenue interest). Based on the net barrels produced which the Company is entitled to sell, Panoro's operating costs per barrel equated to USD 39.72/bbl and USD 43.73/bbl with royalties included. The revenue allocation of 12.1913% will increase to 16.255% once certain pre-defined financial thresholds are met under the JOA.

The composition of the operating cost is largely a fixed cost base with very little variable cost element. Due to lower than expected production during the period, the operating cost per USD/bbl is high relative to estimates (which had been based on 9,000 bopd). On a normalised production range of 7,000-9,000 bopd, expected after successful remediation work on Aje-5, the operating cost per barrel is expected to reduce to be in line with previous estimates. In addition, operating costs have been reviewed aggressively at the JV level and material savings are expected to be achieved through cost cutting measures and price renegotiations with key suppliers. Such savings will be achieved in the forthcoming months.

9. Taxation

Following the commencement of commercial oil production from the Aje field during the reporting period, taxes charged as Tax Oil on the sale of Aje crude oil lifting have been offset against the deferred tax liability as this liability has now begun to unwind proportionally.

	USD 000
Tax charged as tax oil on the sale of Aje Crude	177
Reduction in Deferred Tax Liability	(177)
Tax charge as at September 30, 2016	-

Other information

Financial calendar

November 17, 2016	Third quarter 2016 results

Glossary and definitions

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bopd	Barrels of oil per day
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
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation

Disclaimer

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

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