Panoro Energy

Fourth Quarter Report 2017

February 27, 2018

Contents

Highlights and events

Fourth Quarter 2017 highlights and subsequent events

Dussafu

- Updated independent reserves report prepared by Netherland Sewell & Associates Inc. ("NSAI") estimates gross Proved + Probable (2P) reserves of 23.5 MMbbls and Contingent (2C) resources of 11.6 MMbbls

- NSAI report supports Panoro's view of the long-term production potential at Dussafu over the 20 year exploitation concession

- First development well, DTM-2H spudded January, 2018; completion expected in April, 2018

- First oil expected in 2H 2018 at an anticipated gross rate of 10,000 to 15,000 bopd (Operator estimate)

Aje

- Legal dispute with JV partners in relation to drilling of new development wells fully resolved through an out-of-court settlement

- Current oil production operations continue; focus on advancing the Turonian gas development plan

Corporate

- Cash and cash equivalents of USD 6.3 million as at December 31 2017, not including USD 1.5 million held as security with English Courts (to be released as part of the Aje settlement)

- Recurring General and Administration (G&A) costs reduced by approximately 10% year-on-year to USD 3.7 million in 2017 from USD 4.1 million in 2016

Operational update

GABON

Dussafu Marin: BW Energy (Operator), Panoro Energy (8.333% interest)

During the quarter the development of the Tortue oil field continued according to plan. Various installation activities were carried out at the end of the quarter in preparation for the drilling and main installation phase at Tortue. The first development well, DTM-2H, was spudded on January 27, 2018. This well and a second development well, DTM-3H, will be completed as horizontal oil production wells with open-hole gravel packs and gas lift. In addition, an appraisal penetration, DTM-3, will be drilled in the northwest of the Tortue field to confirm the extent of the field and prepare for additional wells which may be part of the second phase of the development. The drilling is progressing according to plan and it is expected that the campaign will be completed by the end of the second quarter 2018, after which the subsea equipment will be installed in preparation for the FPSO hook-up. The contract for the use of the Adolo FPSO has been agreed and the Field Development Plan approval obtained from the Gabonese Government. We expect first oil to be achieved in the second half of 2018 and the Operator estimates that initial gross production rates will be in the range of 10,000 to 15,000 barrels of oil per day.

At the end of the quarter an independent reserves report was completed by Netherland Sewell & Associates Inc. (“NSAI”). NSAI has calculated the following estimates for the total gross (100% interest) economically recoverable oil reserves, derived from the assumed production from four oil wells at the Tortue field, as follows:

Proved (1P) reserves of 15.9 MMbbls
Proved + Probable (2P) reserves of 23.5 MMbbls
Proved + Probable + Possible (3P) reserves of 31.4 MMbbls

In addition to these reserves, NSAI has calculated gross contingent resources at Tortue as follows:

1C resources of 3.7 MMbbls
2C resources of 11.6 MMbbls
3C resources of 28.9 MMbbls

The results of the new NSAI reserves report illustrate a material increase of over 80% of mid-case at Tortue, compared to the previous independent report completed in May 2014, prior to the new seismic data being available; and 3P reserves at Tortue are approximately equivalent to the total contingent resources previously calculated for all four oil discoveries at Dussafu. The NSAI reserves review does not yet include the other 3 discovered fields in the Exclusive Exploitation Authorisation (“EEA”) area (Ruche, Moubenga and Walt Whitman) which will be updated in due course. In addition, the independent reserves review also does not include prospective resources associated with the 27 prospects and leads already identified within the EEA area.

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 at the Aje field in OML 113 is steady averaging around 400 barrels of oil per day net to Panoro. The field produced an average of 285 barrels of oil per day net to Panoro during the quarter, and this compares to 403 barrels of oil per day net in Q3 2017. The average rate was affected by two operational shut-ins during the quarter. Production from the Aje field continued from the Aje-4 and Aje-5 wells, with the Aje-4 well producing from the Cenomanian oil reservoir and the Aje-5 well producing from the oil rim of the Turonian reservoir. A lifting from the field was completed in November and a further lifting is anticipated in March 2018.

A Field Development Plan describing the development of the Turonian reservoir has been submitted to the Nigerian regulators for consideration. In parallel, the process for the renewal of the OML 113 lease in June 2018 has commenced.

Panoro is in the process of updating its independent reserves report for Aje with AGR TRACS International. This update will include results of the Aje-5 workover and side-track drilling campaign in the Cenomanian reservoir, the subsequent completion of the Aje-5 side-track in the Turonian oil rim, and the production history from the field to date. Details of the updated report will be made available in the second quarter of 2018.

CORPORATE

The Company has continued to achieve further cost reductions with recurring General and Administration (G&A) costs having been reduced by approximately 10% year-on-year to USD 3.7 million in 2017 from USD 4.1 million in 2016.

On November 2, 2017, Panoro announced that its subsidiary Pan Petroleum Aje Limited ("PPAL") had entered into a binding agreement with the other OML 113 joint-venture partners. The agreement in conjunction with other initiatives addresses a number of operational and financial issues. Under the terms of the agreement, certain transitional arrangements were introduced whereby unpaid cash calls will not be immediately payable. Such unpaid cash calls are included in the long-term payable balance as of the end of the quarter. During the transition period, any excess funds from Panoro's entitlement of crude liftings shall be used to pay operational costs incurred in the JV, any remaining liabilities and unpaid cash calls. In addition to this, commercial arrangements agreed as part of the settlement measures are expected to have the effect of increasing PPAL's existing revenue interest until approximately the end of 2018.

On January 2, 2018, post period end, Panoro announced that PPAL had entered into a definitive and binding settlement agreement (the "Agreement") with the other OML 113 joint-venture partners. The Agreement resolved and settled the dispute between the OML 113 joint-venture partners in relation to drilling of new development wells.

The highlights of the Agreement included:

- All OML 113 joint-venture partners have agreed to halt and withdraw all litigation and arbitration proceedings among the partners;
- PPAL would not pay for any Aje-6 costs that have been incurred by the JV, until such time as the equipment and parts are to be used in any potential future well operations;
- Substantial court costs already awarded to PPAL to be retained and any remaining balances credited in favour of PPAL; and
- PPAL's USD 1.5 million cash security deposit held with UK Courts Funds Office would be released and returned to it. PPAL is completing the formalities for the return of funds.

Panoro remains committed to explore all options to maximise value at Aje, including, but not limited to, a partial or full divestment of its participation in OML 113.

In Brazil, termination agreements for the surrender of Coral and Cavalho Marinho licences have been signed between the JV partners and Brazilian Regulator ANP. The next steps involve various regulatory clearances before dissolution of JV operations. The Company's formal exit from its historical Brazilian business is still ongoing with slow progress towards the approval of abandonment by the Brazilian regulators. Management is working actively with the operator Petrobras to bring matters to a close and to ensure that the ongoing costs are kept to a minimum. However, the timing and eventual costs of such conclusion is uncertain at this stage.

Financial information

Income statement review

Fourth quarter 2017 versus third quarter 2017

Panoro Energy reported an EBITDA of negative USD 1.5 million for the fourth quarter 2017, compared to negative USD 59 thousand in the third quarter 2017.

Fourth quarter EBITDA includes the oil and gas revenue from the sixth lifting from the Aje field and the associated operating costs. In addition to this, a decline in non-recurring dispute costs is also noted, following a binding interim settlement agreement with the OML 113 joint-venture partners during the quarter.

Oil and gas revenue in the fourth quarter 2017 was USD 1.6 million and is based on the Company's entitlement barrels. The revenue was generated by the sale of the net entitlement volume of 25,978 bbls.

Costs attributed to operations were USD 2.2 million at Aje for the fourth quarter compared to USD 1.9 million in the previous quarter. The higher cost is explained by two operational shut-ins during the quarter and timing issues between respective periods for costs incurred.

Panoro Energy reported a net loss of USD 4.4 million from continuing operations for the fourth quarter 2017, an increase in loss of USD 3.8 million, compared to a loss of USD 0.5 million in the third quarter 2017. The increase in loss is predominantly the effect of only one lifting from Aje in the current quarter, compared to two in the previous quarter. Also, having reached a settlement of dispute with OML 113 joint-venture partners in November 2017, Panoro received the data of all costs incurred to date. As a result of the higher than anticipated expenditures on the Aje-5 workover and side-tracks, we deemed it prudent to recognize this one-off cost directly in the income statement as impairment. This charge was partially offset by a reversal of previously recognized impairment on Dussafu which resulted from final investment decision on development and independent reserves update. Therefore, the combined resulting net impairment charge was USD 2.6 million for the current quarter.

Exploration related costs and Operator G&A were effectively unchanged for both quarters at USD 18 thousand and USD 16 thousand for the fourth and third quarters respectively.

General and Administration (G&A) costs from continuing activities were marginally lower in the fourth quarter at USD 0.8 million, compared to USD 0.9 million in the third quarter. In both periods, the costs relating to the Aje dispute have been separately reported as non-recurring dispute costs of USD 45 thousand in the fourth quarter and USD 0.3 million for the previous quarter.

Depreciation for the fourth quarter was a positive USD 0.1 million, following a correction relating to a previous quarter. The underlying depreciation charge for the fourth quarter was USD 0.2 million, compared to USD 0.4 million in the previous quarter.

EBIT from continuing operations was thus a negative USD 4.1 million in the fourth quarter 2017, compared to a negative USD 0.5 million in the third quarter 2017.

Net financial items amounted to a net expense of USD 286 thousand in the fourth quarter 2017 compared to an expense of USD 24 thousand in the third quarter 2017. This is due to accretion of notional interest on the Aje Asset Decommissioning Liability during 2017 and finance charges.

Loss before tax from continuing activities was USD 4.4 million in the fourth quarter 2017 which was higher by USD 3.8 million compared to the previous quarter loss of USD 0.5 million.

Net loss for the period from discontinued operations in Brazil was USD 60 thousand for the current quarter, a decrease in loss of USD 29 thousand from the previous quarter.

The total net loss was USD 4.4 million, compared to a net loss of USD 0.6 million in the previous quarter.

Minor movement in other comprehensive income was a result of currency translation adjustments for reporting purposes in the third quarter.

Year to date 2017 versus year to date 2016

Panoro Energy reported an EBITDA of negative USD 5.3 million for the year ended December 31, 2017, compared to negative USD 3.8 million in the same period in 2016.

EBITDA includes the oil and gas revenue from the four liftings from the Aje field during 2017 and the associated operating costs and the gain on the sale of a 25% stake in Dussafu.

Oil and gas revenue in the period was USD 6.0 million and is based on the Company's entitlement barrels; the revenue was generated by the sale of the net entitlement volume of 113,367 bbls. Other Income in the same period of USD 0.5 million represents the net gain on disposal of the 25% working interest in Dussafu. Oil & gas revenue in the same period of 2016 was USD 5.5 million and was generated by the sale of the net entitlement volume of 110,539 bbls.

Panoro Energy reported a net loss of USD 36.3 million from continuing operations for the year ended December 31, 2017, a decrease in loss of USD 25.9 million, compared to a loss of USD 62.0 million in the same period in 2016. The decrease in loss was a direct result of the lower impairment charges in 2017.

Operator G&A and related overheads decreased to USD 0.3 million in the year ended December 31, 2017, down from USD 0.7 million in same period in 2016.

General and Administration costs from continuing operations were USD 3.7 million for year ended December 31, 2017, down from USD 4.1 million for the same period in 2016. In 2017, USD 1.0 million of costs directly related to the Aje dispute have been reported separately as non-recurring dispute costs; there were no such costs in the same period in 2016. This amount is net of an award of USD 0.4 million reimbursement of costs pursuant to Court orders.

Depreciation for the period was USD 1.9 million decreasing from USD 2.2 million in the same period in 2016 with both periods relating to the depreciation of the Aje Cenomanian oil field. 2017 is a comparatively lower charge following an impairment exercise on Aje.

EBIT from continuing operations was thus a negative USD 36 million for the year ended December 31, 2017, compared to a negative USD 61.9 million in the same period of 2016.

Net financial items amounted to an expense of USD 360 thousand in the current period compared to an expense of USD 94 thousand in the same period in 2016. This is due to accretion of notional interest on the Aje Asset Decommissioning Liability during 2017 and finance charges.

Loss before tax from continuing activities was USD 36.3 million for the year ended December 31, 2017 compared to the loss of USD 62.0 million for the same period in 2016. The decrease in loss in 2017 is predominantly due to the inclusion of impairment provision for Aje and Dussafu in 2016.

Net loss for the period from discontinued operations in Brazil was USD 277 thousand for the period, compared to a net loss of USD 649 thousand for the same period in 2016.

The total net loss for the year ended December 31, 2017 was USD 36.6 million, compared to a net loss of USD 62.6 million for the same period in 2016.

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 December 31, 2017 from September 30, 2017

Movements in the Group statement of financial position during the fourth quarter of 2017 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 25.4 million at December 31, 2017, an increase of USD 4.8 million from September 30, 2017.

The overall movement in total non-current assets relates to an impairment reversal of USD 4.3 million and capital additions on Dussafu in the quarter of USD 0.7 million. Property, furniture, fixtures and equipment remained largely unchanged.

Other non-current assets remained unchanged at USD 0.1 million for both quarters and mainly relates to the tenancy deposit for office premises.

Current assets

Current assets amounted to USD 9.8 million as of December 31, 2017, compared to USD 10.8 million at September 30, 2017.

Trade and other receivables stood at USD 0.6 million, a decrease from USD 1.5 million at the end of September 2017, reflecting the collection in the quarter of the USD 1 million receivable balance in relation to the sale of 25% of the Dussafu asset. The balance is predominantly related to Panoro's portion of unspent cash held in the Dussafu JV. USD 1.4 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory; this is an increase from USD 0.9 million as at September 30, 2017 due to higher volumes.

Cash and cash equivalents stood at USD 6.3 million at December 31, 2017, not including USD 1.5 million cash which is due to be released, having been held as collateral against dispute costs by the UK Court Funds Office. On an overall basis, cash balances decreased from USD 6.8 million at September 30, 2017. No cash calls were paid during the quarter, however collectable funds associated with the fifth and sixth Aje liftings have been utilised to fund Aje costs. The USD 1.5 million funds held as security cost are in the process of being released and we will provide further update in the first quarter of 2018.

Equity

Equity amounted to USD 17.3 million as of December 31, 2017, compared to USD 21.7 million at the end of September 2017. The change reflects the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 11.1 million for the fourth quarter, compared to USD 3.4 million for the previous quarter, includes the decommissioning provision for the Aje field.

There is also the increase to the non-recourse loan from BW Energy in relation to the funding of the Dussafu development. As of December 31, 2017, Panoro's drawdown on the non-recourse loan was USD 2.2 million compared to USD 1.3 million as at September 30, 2017. The non-recourse loan is repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses. The repayment will start at First Oil on Dussafu. During the repayment phase, Panoro will still be entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations.

Other non-current liabilities include USD 6.8 million associated with historic cash calls on Aje, which will be settled from surplus funds, where available, from Aje crude sales after paying for current costs and liabilities.

Current liabilities

Current liabilities amounted to USD 6.8 million at December 31, 2017, compared to USD 6.3 million at the end of September 2017.

Accounts payable, accruals and other liabilities amounted to USD 6.7 million, an increase from USD 6.2 million at the end of September 2017. The decrease largely represents lower Aje operational accruals as at December 31, 2017 which are partially offset by unutilised funds from the quarter's Aje lifting. The tax liability of USD 0.1 million remain unchanged and relates to historical tax liability in Brazil.

Since the settlement of the Aje dispute, the Company has performed a review of historical costs incurred and recognised the liabilities associated with such expenditures in the balance sheet. The proportionate joint venture liabilities resulting from the workover and side-tracks at Aje-5 have been higher than anticipated and as such have resulted in proportional liabilities of USD 6.1 million as of December 31, 2017. Such liabilities are current in nature and are expected to be repaid in full by the end of financial year 2018. In addition to these, USD 6.8 million is classified as long-term liabilities which as per the terms agreed between OML 113 Joint Venture partners, certain transitional arrangements were introduced whereby unpaid cash calls will not be immediately payable. During the transition period, any excess funds from Panoro's entitlement of crude liftings after paying for its share of operating expenditure shall be used to repay unpaid cash calls. In addition to this, commercial arrangements agreed as part of the interim settlement measures are expected to have the effect of increasing Panoro's existing revenue interest for approximately one year. We do not anticipate any use of Panoro's cash resources and expect it to be funded from the sale of our share of Aje crude. There is a lifting anticipated in March 2018, which will provide net proceeds to Panoro in excess of USD 3 million.

Movements to December 31, 2017 from December 31, 2016

Movements in the Group statement of financial position during the year ended December 31, 2017 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 25.4 million at December 31, 2017, a decrease of USD 26.1 million from December 31, 2016.

The overall decline in total non-current assets was a result of the sale of 25% stake in Dussafu during the period and impairment provisions, offset by capital expenditure on both the assets. Property, furniture, fixtures and equipment remained largely unchanged at USD 0.1 million.

Other non-current assets remained unchanged at USD 0.1 million for both periods and relates mainly to the tenancy deposit for office premises.

Current assets

Current assets amounted to USD 9.8 million as of December 31, 2017, compared to USD 7.2 million at December 31, 2016.

Trade and other receivables stood at USD 0.6 million, a decrease from USD 1.7 million at the end of December 2016. The movement is due predominantly to the realisation of sale proceeds due for Aje's liftings during the period, offset by Panoro's portion of unspent cash held in Dussafu JV. USD 1.4 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory.

Cash and cash equivalents stood at USD 6.3 million at December 31, 2017, not including USD 1.5 million cash which is due to be released imminently, having been held as collateral against dispute costs by the UK Court Funds Office. This represents an increase from USD 4.8 million cash and cash equivalents at December 31, 2016. The increase is mainly attributed to the collection of the sale proceeds relating to the disposal of 25% stake in Dussafu during the period and proceeds from the Aje liftings during the period. This has been offset by the payment of Aje cash calls of USD 4.0 million and the repurchase of 1,000,000 Panoro shares for USD 0.5 million. USD 1.5 million of Aje dispute cash collateral remains as restricted cash during the period, increasing from USD 0.5 million as at December 31, 2016.

Equity

Equity amounted to USD 17.3 million as of December 31, 2017, compared to USD 54.3 million at the end of December 2016. The change reflects the loss for the period and the effect of the repurchase of 1,000,000 Panoro shares in August 2017.

Non-current liabilities

Total non-current liabilities of USD 11.1 million for the year ended December 31, 2017, compared to USD 2.0 million for the same period in 2016 including the decommissioning provision for the Aje field.

There is also the inclusion of the non-recourse loan from BW Energy in relation to the funding of the Dussafu development. As of December 31, 2017, Panoro's drawdown on the non-recourse loan was USD 2.2 million. The non-recourse loan is repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses. The repayment will start at First Oil on Dussafu. During the repayment phase, Panoro will still be entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations.

Other non-current liabilities include USD 6.8 million associated with historic cash calls on Aje, which will be settled from surplus funds, where available, from Aje crude sales after paying for current costs and liabilities.

Current liabilities

Current liabilities amounted to USD 6.8 million at December 31, 2017, compared to USD 2.4 million at the end of December 2016.

Accounts payable, accruals and other liabilities amounted to USD 6.7 million, an increase from USD 2.3 million at the end of December 2016. The increase represents Aje operational accruals and higher corporate trade payables as at December 31, 2017. The tax liability of USD 0.1 million is in relation to historical tax liability in Brazil.

Outlook

- Progress on Dussafu oil development with first oil production in 2H 2018
- Forward planning on next phases at Aje
- Actively reviewing growth opportunities

The Board of Directors

Panoro Energy ASA

February 27, 2018

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 DECEMBER 31, 2017

Q4 2016	Q3 2017	Q4 2017	*Amounts in USD 000*	Note	YTD 2017	YTD 2016
(Unaudited)					*(Unaudited)*	
			Continuing Operations			
1,974	3,117	1,577	Oil and gas revenue		6,021	5,461
-	-	-	Other Income		497	-
1,974	**3,117**	**1,577**	**Total revenues**		**6,518**	**5,461**
-	-	-	Pre-commencement operating costs		-	(1,092)
(1,209)	(1,933)	(2,224)	Operating costs		(6,858)	(3,466)
(200)	(16)	(18)	Operator G&A and Exploration related costs		(343)	(660)
-	(330)	(45)	Non-recurring dispute costs		(995)	-
(1,194)	(897)	(829)	General and administrative costs		(3,655)	(4,063)
(629)	**(59)**	**(1,539)**	**EBITDA**		**(5,333)**	**(3,820)**
(828)	(404)	112	Depreciation, depletion and amortisation		(1,898)	(2,231)
(38,835)	-	(2,606)	Impairment of Assets		(28,576)	(55,795)
(21)	(60)	(52)	Share based payments		(149)	(47)
(40,313)	**(523)**	**(4,085)**	**EBIT - Operating income/(loss)**		**(35,956)**	**(61,893)**
(3)	12	(272)	Interest costs net of income		(254)	43
(50)	(34)	(33)	Other financial costs net of income		(136)	(104)
(30)	(2)	19	Net foreign exchange gain / (loss)		30	(33)
(40,396)	**(547)**	**(4,371)**	**Net income/(loss) before tax**		**(36,316)**	**(61,987)**
-	-	(14)	Income tax benefit/(expense)		4	-
(40,396)	**(547)**	**(4,385)**	**Net income/(loss) for the period from continuing operations**		**(36,312)**	**(61,987)**
			Discontinued operations			
(330)	(29)	(60)	Net income / (loss) for the period from discontinued operations	4	(277)	(649)
(40,726)	**(576)**	**(4,445)**	**Net income / (loss) for the period**		**(36,589)**	**(62,636)**
1	(1)		Exchange differences arising from translation of foreign operations		(3)	(10)
1	**(1)**	**-**	**Other comprehensive income/(loss) for the period (net of tax)**		**(3)**	**(10)**
(40,725)	**(577)**	**(4,445)**	**Total comprehensive income/(loss) for the period (net of tax)**		**(36,592)**	**(62,646)**
			Net income /(loss) for the period attributable to:			
(40,726)	(576)	(4,445)	Equity holders of the parent		(36,589)	(62,636)
			Total comprehensive income / (loss) for the period attributable to:			
(40,725)	(577)	(4,445)	Equity holders of the parent		(36,592)	(62,646)
			Earnings per share	5		
(0.96)	(0.01)	(0.10)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(0.86)	(1.61)
(0.95)	(0.01)	(0.10)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.85)	(1.60)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

Amounts in USD 000		December 31, 2017	September 30, 2017	December 31, 2016
		(Unaudited)	*(Unaudited)*	*(Audited)*
Non-current assets				
Licenses and exploration assets	6	13,596	3,750	25,971
Development assets	6	1,694	4,850	-
Production assets and equipment	6	9,902	11,735	25,285
Property, furniture, fixtures and office equipment		102	120	169
Other non-current assets		134	148	122
Total Non-current assets		**25,428**	**20,603**	**51,547**
Current assets				
Crude Oil Inventory		1,398	939	163
Trade and other receivables		615	1,512	1,724
Cash and cash equivalents		6,317	6,833	4,768
Restricted Cash and Collateral		1,500	1,500	520
Total current assets		**9,830**	**10,784**	**7,175**
Total Assets		**35,258**	**31,387**	**58,722**
Equity				
Share capital	7	299	299	305
Treasury Shares		(503)	(503)	-
Other equity		17,524	21,930	54,023
Total Equity attributable to equity holders of the parent		**17,320**	**21,726**	**54,328**
Non-current liabilities				
Decommissioning liability		2,039	2,009	1,925
Long-term liabilities	8	2,197	1,297	-
Other long-term liabilities	9	6,892	53	88
Total Non-current liabilities		**11,128**	**3,359**	**2,013**
Current liabilities				
Accounts payable, accruals and other liabilities	9	6,737	6,212	2,287
Corporation tax liability		73	90	94
Total current liabilities		**6,810**	**6,302**	**2,381**
Total Liabilities		**17,938**	**9,661**	**4,394**
Total Equity and Liabilities		**35,258**	**31,387**	**58,722**

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED DECEMBER 31, 2017

Q4 2016	Q3 2017	Q4 2017		YTD 2017	YTD 2016
	(Unaudited)		*Amounts in USD 000*	*(Unaudited)*	*(Audited)*
			Cash flows from operating activities		
(40,396)	(547)	(4,371)	Net (loss)/ income from continuing operations	(36,316)	(61,987)
(330)	(10)	(42)	Net (loss)/ income from discontinued operations	(203)	(538)
(40,726)	(557)	(4,413)	**Net (loss)/ income for the period before tax**	(36,519)	(62,525)
			Adjusted for:		
841	404	(112)	Depreciation	1,898	2,244
39,458	-	2,606	Impairment and asset write-off	28,576	56,566
200	16	18	Exploration related costs and operator G&A	343	660
53	22	305	Net finance costs	390	61
21	60	52	Share-based payments	149	47
30	2	(19)	Foreign exchange gains/losses	(30)	33
1,219	(1,691)	253	Increase/(decrease) in trade and other payables	4,084	1,668
1,995	36	286	(Increase)/decrease in trade and other receivables	463	(1,188)
359	387	(459)	(Increase)/decrease in crude oil inventory	(1,235)	(163)
(14)	(21)	(31)	Taxes paid	(71)	(41)
3,436	**(1,342)**	**(1,514)**	**Net cash flows from operating activities**	**(1,952)**	**(2,638)**
			Cash flows from investing activities		
-	-	1,000	Proceeds from disposal of Assets	12,737	-
(1,686)	-	-	Investment in exploration, production and other assets	(7,685)	(12,617)
-	-	-	Movement in related non-current assets	-	813
(1,686)	**-**	**1,000**	**Net cash flows from investing activities**	**5,052**	**(11,804)**
			Cash flows from financing activities		
-	(509)	-	Own shares buyback	(509)	-
-	-	-	Net proceeds from Equity Private Placement	-	8,774
(15)	-	(2)	Net financial income (net of charges paid)	(65)	18
(520)	-	-	Movement in restricted cash balance	(980)	(520)
(535)	**(509)**	**(2)**	**Net cash flows from financing activities**	**(1,554)**	**8,272**
5	4	-	Effect of foreign currency translation adjustment on cash balances	3	(10)
1,220	(1,847)	(516)	Change in cash and cash equivalents during the period	1,549	(6,180)
3,548	8,680	6,833	Cash and cash equivalents at the beginning of the period	4,768	10,948
4,768	**6,833**	**6,317**	**Cash and cash equivalents at the end of the period**	**6,317**	**4,768**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2017 *Amounts in USD 000*	Issued capital	Share premium	Treasury Shares	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
	Attributable to equity holders of the parent							
At January 1, 2017 - (Audited)	**305**	**297,503**	**-**	**122,101**	**(322,176)**	**(37,647)**	**(5,758)**	**54,328**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(3,354)	-	-	(3,354)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(102)	-	-	(102)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(3,456)	-	-	(3,456)
Employee share options charge/(benefit)	-	-	-	20	-	-	-	20
At March 31, 2017 - (Unaudited)	**305**	**297,503**	**-**	**122,121**	**(325,633)**	**(37,647)**	**(5,758)**	**50,892**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(28,026)	-	-	(28,026)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(86)	-	-	(86)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(28,112)	-	-	(28,112)
Employee share options charge/(benefit)	-	-	-	17	-	-	-	17
Employee share grant charge/(benefit)	-	-	-	(44)	-	-	-	(44)
At June 30, 2017 - (Unaudited)	**305**	**297,503**	**-**	**122,094**	**(353,745)**	**(37,647)**	**(5,758)**	**22,751**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(547)	-	-	(547)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(29)	-	-	(29)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(576)	-	-	(576)
Purchase of own shares	(6)	-	(503)	-	-	-	-	(509)
Employee share options charge/(benefit)	-	-	-	60	-	-	-	60
At September 30, 2017 - (Unaudited)	**299**	**297,503**	**(503)**	**122,154**	**(354,321)**	**(37,647)**	**(5,758)**	**21,726**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(4,385)	-	-	(4,385)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(60)	-	-	(60)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(4,445)	-	-	(4,445)
Transaction costs on purchase of own shares	-	(13)	-	-	-	-	-	(13)
Employee share options charge/(benefit)	-	-	-	52	-	-	-	52
At December 31, 2017 - (Unaudited)	**299**	**297,490**	**(503)**	**122,206**	**(358,766)**	**(37,647)**	**(5,758)**	**17,320**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016 *Amounts in USD 000*	Attributable to equity holders of the parent							
	Issued capital	**Share premium**	**Treasury Shares**	**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**
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)	-	-	(2,446)
Share Issue for cash	-	-	-	-	-	-	-	-
Transaction costs on Share Issue	-	(3)	-	-	-	-	-	(3)
Employee share options charge/(benefit)	-	-	-	21	-	-	-	21
At September 30, 2016 - (Unaudited)	**305**	**297,517**	**-**	**122,080**	**(281,450)**	**(37,647)**	**(5,758)**	**95,048**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(40,396)	-	-	(40,396)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(330)	-	-	(330)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(40,726)	-	-	(40,726)
Share Issue for cash	-	-	-	-	-	-	-	-
Transaction costs on Share Issue	-	(14)	-	-	-	-	-	(14)
Employee share options charge/(benefit)	-	-	-	21	-	-	-	21
At December 31, 2016 - (Audited)	**305**	**297,503**	**-**	**122,101**	**(322,176)**	**(37,647)**	**(5,758)**	**54,328**

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 December 31, 2017, were authorised for issue by the Board of Directors on February 27, 2018.

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 2016 Annual Report and the Company's recently published Prospectus. A copy of the 2016 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 2016 Annual Report.

The interim financial statements have been prepared on a going concern basis.

The Company had USD 6.3 million in cash and cash equivalents as of December 31, 2017, not including USD 1.5 million cash which is held as collateral against costs in support of our legal dispute at Aje. Since the settlement of the dispute with the OML 113 partners, the collateral is no longer required and will be released back to the Company on completion of legal formalities.

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 8.333% 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.

Q4 2016	Q3 2017	Q4 2017		YTD 2017	YTD 2016
(Unaudited)			**OPERATING SEGMENTS - GROUP NET SALES**	*(Unaudited)*	
355	403	285	**Net average estimated daily production - Aje *(bopd)***	307	515
36,450	61,178	25,978	**Oil sales *(bbls) - Net to Panoro***	113,367	110,539
(Unaudited)			**OPERATING SEGMENT - WEST AFRICA**	*(Unaudited)*	
			in USD 000		
513	374	1,423	**EBITDA**	(790)	(49)
38,817	-	2,606	Impairment of E&E Assets	28,576	55,608
810	387	(130)	Depreciation and amortisation	1,828	2,134
-	24,235	-	Segment assets	29,675	52,698
			CORPORATE		
			in USD 000		
(1,142)	(433)	(2,962)	**EBITDA**	(4,543)	(3,771)
18	17	18	Depreciation and amortisation	70	97
-	7,012	-	Segment assets	5,452	5,901
			DISCONTINUED OPERATIONS		
			in USD 000		
(330)	(29)	(60)	Income / (Loss) for the period from discontinued operations	(277)	(649)
-	140	-	Segment assets	131	123
			CONSOLIDATED		
			in USD 000		
(629)	(59)	(1,539)	**EBITDA**	(5,333)	(3,820)
(330)	(29)	(60)	Income / (loss) for the period from discontinued operations	(277)	(649)
828	404	(112)	Depreciation and amortisation	1,898	2,231
38,817	-	2,606	Impairment of E&E Assets	28,576	55,608
-	31,387	-	Segment assets	35,258	58,722

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. The Company is contesting some historical tax claims in Brazil for disallowance of costs dating back to tax year 2010 – 2011.

Q4 2016	Q3 2017	Q4 2017		YTD 2017	YTD 2016
USD 000 - (Unaudited)				*USD 000 - (Unaudited)*	
-	-	-	Oil and gas revenue	-	-
-	**-**	**-**	**Total revenues and other income**	**-**	**-**
-	-	-	Production costs	-	-
-	-	-	Redundancies and restructuring costs	-	-
(55)	(7)	(30)	General and administration costs	(71)	(103)
(55)	**(7)**	**(30)**	**EBITDA**	**(71)**	**(103)**
-	-	-	Depreciation	-	-
(271)	(3)	(10)	Impairment	(130)	(419)
-	-	-	Share based payments	-	-
-	-	-	Gain/(loss) on sale of subsidiary	-	-
(326)	**(10)**	**(40)**	**EBIT - Operating income / (loss)**	**(201)**	**(522)**
6	3	-	Interest costs net of income	4	13
-	(1)	(2)	Other financial costs net of income	(4)	-
14	(2)	-	Net foreign exchange gain / (loss)	(2)	(5)
(306)	**(10)**	**(42)**	**Income / (loss) before tax**	**(203)**	**(514)**
(24)	(19)	(18)	Income tax benefit / (expense)	(74)	(135)
(330)	**(29)**	**(60)**	**Net income/(loss) for the period from discontinued operations**	**(277)**	**(649)**
(0.01)	(0.00)	(0.00)	Earning per share – basic and diluted (USD) for the period from discontinued operations	(0.01)	(0.02)

5. Earnings per share

Q4 2016	Q3 2017	Q4 2017		YTD 2017	YTD 2016
(Unaudited)			*Amounts in USD 000, unless otherwise stated*	*(Unaudited)*	
(40,726)	(576)	(4,445)	Net profit / (loss) attributable to equity holders of the parent - **Total**	(36,589)	(62,636)
(40,396)	(547)	(4,385)	Net profit / (loss) attributable to equity holders of the parent - **Continuing operations**	(36,312)	(61,987)
42,502	42,502	42,502	Weighted average number of shares outstanding - in thousands	42,502	38,814
(0.96)	(0.01)	(0.10)	Basic and diluted earnings per share (USD) - Total	(0.86)	(1.61)
(0.95)	(0.01)	(0.10)	Basic and diluted earnings per share (USD) - Continuing operations	(0.85)	(1.60)

Diluted earnings per share

The weighted average number of shares and the EPS workings for the comparative year to date period is 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, 2017 *(Audited)*	25,971	-	25,285
Exploration and Evaluation Asset Additions	1,182	-	-
Production Asset Additions	1,600	-	12,273
Impairment of Aje	(7,042)	-	(25,828)
Disposal of Asset (Dussafu)	(12,053)	-	-
Transfer to Development Asset	(4,308)	4,308	-
Impairment Reversal on Dussafu	-	4,252	-
Development Asset Additions	-	1,380	-
Bifurcation between Development and E&E Assets	8,246	(8,246)	-
Depreciation	-	-	(1,828)
At December 31, 2017 ***(Unaudited)***	**13,596**	**1,694**	**9,902**

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 have been broadly categorised between Exploration & Evaluation assets and Production Assets. Recent remediation work done on Aje-5 has not delivered the expected results and as such we deemed it prudent to recognize this one-off cost directly in the income statement as impairment.

On Dussafu, the update on reserves and resources and commencement of the Dussafu development led to a review of the Dussafu capitalised costs; this resulted in the bifurcation of costs being rationalised and categorised between Exploration & Evaluation assets and Development Assets.

7. Share capital

As at December 31, 2017, September 30, 2017 and December 31, 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. Dussafu non-recourse loan

The Company has in place a non-recourse loan from BW Energy in relation to the funding of the Dussafu development. As of December 31, 2017, Panoro's drawdown on the non-recourse loan was USD 2.2 million. The non-recourse loan is repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses. The repayment will start at First Oil on Dussafu. During the repayment phase, Panoro will still be entitled to its share of profit oil from the Dussafu operations.

9. Other long-term liabilities

Since the settlement of the Aje dispute, the Company has performed a review of historical costs incurred and recognised the liabilities associated with such expenditures in the balance sheet. The proportionate joint venture liabilities resulting from the workover and side-tracks at Aje-5 have been higher than anticipated and as such have resulted in proportional liabilities of USD 6.1 million as of December 31, 2017. Such liabilities are current in nature and are expected to be repaid in full by the end of financial year 2018. In addition to these, USD 6.8 million is classified as long-term liabilities which as per the terms agreed between OML 113 Joint Venture partners, certain transitional arrangements were introduced whereby unpaid cash calls will not be immediately payable. During the transition period, any excess funds from Panoro's entitlement of crude liftings after paying for its share of operating expenditure shall be used to repay unpaid cash calls. In addition to this, commercial arrangements agreed as part of the interim settlement measures are expected to have the effect of increasing Panoro's existing revenue interest for approximately one year. We do not anticipate any use of Panoro's cash resources and expect it to be funded from the sale of our share of Aje crude. There is a lifting anticipated in March 2018, which will provide net proceeds to Panoro in excess of USD 3 million.

Other information

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 report does not constitute an offer to buy or sell shares or other financial instruments of Panoro Energy ASA ("Company"). This report 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 report, and we undertake no obligation to update or revise any of this information.

Contact information

For further information, please contact:

John Hamilton, Chief Executive Officer
Panoro Energy ASA/ Panoro Energy Limited
info@panoroenergy.com
Tel: +44 20 3405 1060

Qazi Qadeer, Chief Financial Officer
Panoro Energy ASA/ Panoro Energy Limited
info@panoroenergy.com
Tel: +44 20 3405 1060