Panoro Energy

First Quarter Report 2018

May 23, 2018

Contents

Highlights and events

First Quarter 2018 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 MMboe and Contingent (2C) resources of 11.6 MMboe
- First development well, DTM-2H, completed successfully in April; second development well, DTM-3H underway
- Success at DTM-3 Appraisal well which encountered 30 metres of oil in the Gamba in the western flank of Tortue
- First oil expected in 2H 2018 at an anticipated gross rate of 10,000 to 15,000 bopd (Operator estimate)

Aje

- AGR TRACS certified total gross Proved + Probable (2P) reserves at Aje of 127 MMboe, which represents a substantial increase in 2P reserves compared to the last independent reserves report provided in 2014
- Legal dispute with JV partners in relation to drilling of new development wells fully resolved through a mutually beneficial out-of-court settlement
- Current oil production operations continue; focus on advancing the Turonian gas development plan and licence extension

Corporate

- Cash and cash equivalents of USD 5.1 million as at March 31, 2018, not including USD 1.5 million of cash which was refunded to the Company with accumulated interest post-period-end following the settlement of the Aje dispute

Operational update

GABON

Dussafu Marin: BW Energy (Operator), Panoro Energy (8.3333% interest)

The development of the Tortue oil field continued according to plan in the quarter with drilling activities underway using the Borr Norve jack-up drilling rig. The first development well, DTM-2H, was successfully completed in April in the Dentale D6 reservoir with the subsea tree installed ready for production start-up. An appraisal well, DTM-3, has also been drilled in the western flank of the Tortue field, and encountered oil in the Gamba and Dentale D2B and D6 reservoirs. Development of the western flank of the field is likely to form part of Phase 2 development at Tortue, where preliminary preparation has commenced. Reserves discovered by the DTM-3 well on the western flank of Tortue will be booked in due course. In May, a second development well, DTM-3H, was spudded from the DTM-3 top hole section and will be completed as the Phase 1 Gamba production well. Following the drilling of these wells at Tortue, an additional well will be drilled on the Ruche North East prospect in the vicinity of the Ruche field in the centre of the license area. The drilling campaign is expected to be completed during the third quarter, after which the subsea equipment will be installed in preparation for the FPSO hook-up. We expect first oil from Phase 1 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. Initial planning for Phase 2 at Tortue is underway, and is likely to consist of a further 2 production wells in the Gamba and Dentale D6 reservoirs.

NIGERIA

OML 113 Aje field: YFP (Operator), Panoro Energy (12.1913% entitlement to revenue stream, 16.255% paying interest and 6.502% participating interest)

Production system optimisation has been carried out at the Aje FPSO during the quarter and this has resulted in production increasing to a steady level of around 400 barrels of oil per day net to Panoro. The field produced an average of 384 barrels of oil per day net to Panoro during the quarter, and this compares to 285 barrels of oil per day net in Q4 2017, which was affected by some shut-ins. 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 April 2018. The Turonian gas FDP submitted in 2017 continues to be reviewed by the Nigerian Regulators and in parallel, the process for the renewal of the OML 113 lease in June 2018 has continued.

Panoro is updating its independent reserves report for Aje with AGR TRACS International, and preliminary results have been published in our 2017 Annual Statement of Reserves. The update indicates that gross remaining 2P and 2C resources of 136 million barrels of oil equivalent combined could be produced from the Aje field, with gross 3P and 3C resources of 233 million barrels of oil equivalent.

CORPORATE

On January 2, 2018, 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.

Following the completion of legal formalities with the Aje dispute, USD 1.5 million was released post-period-end to the Company with accumulated interest.

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 and resolution of pending historical corporate items including taxes. Management is working actively with advisors and where relevant, 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

First quarter 2018 versus fourth quarter 2017

Panoro Energy reported an EBITDA of negative USD 1.2 million for the first quarter, 2018, compared to negative USD 1.5 million in the fourth quarter, 2017.

Negative EBITDA in the first quarter is predominantly the recurring General and Administration (G&A) costs and is also reflective of no Aje revenue or operating costs as there was no lifting in the period. The latest lifting completed immediately after the reporting period and will therefore be recognised in the second quarter report.

No oil and gas revenue was recorded in the first quarter as there was no lifting at Aje compared to fourth quarter, 2017 where USD 1.6 million was recorded based on the Company's net entitlement barrels of 25,978 bbls.

Costs attributed to operations were nil at Aje for the first quarter compared to operating costs of USD 2.2 million in the previous quarter. The absence of a lifting in the quarter resulted in all opex costs since the last lifting being capitalized in the cost of inventory; these costs will be expensed in the second quarter when the revenue from the 7th Aje lifting will be recognised.

Panoro Energy reported a net loss of USD 2.2 million from continuing operations for the first quarter, 2018, a decrease in loss of USD 2.2 million, compared to a loss of USD 4.4 million in the fourth quarter, 2017. The previous quarter loss is higher due to recognition of impairment provision, following the impairment review made in the fourth quarter, 2017 on both Aje and Dussafu. There is no impairment adjustment recognised in the current quarter.

Exploration related costs increased marginally from USD 18 thousand for the fourth quarter, 2017 to USD 43 thousand in the current quarter.

General and Administration (G&A) costs from continuing activities were cyclically higher in the first quarter at USD 1.0 million, compared to USD 0.8 million in the fourth quarter, 2017. In both periods, the costs relating to the Aje dispute have been separately reported as non-recurring dispute costs of USD 95 thousand in the first quarter and USD 45 thousand in the fourth quarter.

Depreciation for the first quarter, 2018 was a charge of USD 0.9 million. This is compared to a positive USD 0.1 million in the previous quarter, where a correction to a previous quarter was recorded. The underlying depreciation charge for the fourth quarter, 2017 was USD 0.2 million. The quarter-on-quarter increase in depreciation reflects changes to the Aje 2P independently certified oil reserves disclosed in the 2017 Annual Statement of Reserves.

EBIT from continuing operations was thus a negative USD 2.1 million in the first quarter, 2018, compared to a negative USD 4.1 million in the fourth quarter 2017.

Net financial items amounted to a net expense of USD 130 thousand in the first quarter, 2018 compared to an expense of USD 286 thousand in the fourth quarter, 2017.

Loss before tax from continuing activities was USD 2.2 million in the first quarter, 2018 which was lower by USD 2.2 million compared to the previous quarter loss of USD 4.4 million.

Net loss for the period from discontinued operations in Brazil was USD 44 thousand for the current quarter, a decrease in loss of USD 16 thousand from the previous quarter.

The total net loss was USD 2.3 million, compared to a net loss of USD 4.4 million in the previous quarter.

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

First quarter 2018 versus first quarter 2017

Panoro Energy reported an EBITDA of negative USD 1.2 million for the first quarter, 2018, compared to negative USD 2.5 million in the same period in 2017.

Negative EBITDA in the first quarter, 2018 is predominantly the recurring General and Administration (G&A) costs. No Aje revenue or operating costs were recognised in line with group's accounting policy due to absence of any lifting in the current period.

No oil and gas revenue was recorded in the first quarter, 2018 as there was no lifting at Aje, whereas first quarter, 2017 results included USD 1.3 million of revenue from the sale of Company's net entitlement of 26,210 bbls of oil.

Panoro Energy reported a net loss of USD 2.2 million from continuing operations for the first quarter, 2018, a decrease in loss of USD 1.2 million, compared to a loss of USD 3.4 million in the same period in 2017. The decrease in loss was mainly due to higher operating costs recognised in the first quarter, 2017.

Exploration related costs decreased to USD 43 thousand in the first quarter, 2018, down from USD 81 thousand in same period in 2017.

General and Administration costs from continuing operations were USD 1.0 million for first quarter, 2018, down from USD 1.2 million for the same period in 2017. In the first quarter, 2018, USD 0.1 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 2017.

Depreciation for the period was USD 0.9 million, increasing from USD 0.8 million in the same period in 2017 with both periods relating to the depreciation of the Aje Cenomanian oil field. First quarter, 2018 is reflective of the changes to the independently certified Aje 2P reserves as reported in the 2017 Annual Statement of Reserves.

EBIT from continuing operations was thus a negative USD 2.1 million for the first quarter, 2018, compared to a negative USD 3.3 million in the same period of 2017.

Net financial items amounted to an expense of USD 111 thousand in the current period compared to an expense of USD 32 thousand in the same period in 2017. This is due to accretion of notional interest on the Aje Asset Decommissioning Liability and finance charges.

Loss before tax from continuing activities was USD 2.2 million for the first quarter, 2018, compared to the loss of USD 3.4 million for the same period in 2017. The higher loss in first quarter 2017 is originating from higher operating costs recognised for Aje field and higher G&A costs.

Net loss for the period from discontinued operations in Brazil was USD 44 thousand for the period, compared to a net loss of USD 102 thousand for the same period in 2017.

The total net loss for the first quarter, 2018 was USD 2.3 million, compared to a net loss of USD 3.5 million for the same period in 2017.

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 March 31, 2018 from December 31, 2017

Movements in the Group statement of financial position during the first quarter of 2018 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 26.1 million at March 31, 2018, an increase of USD 0.7 million from December 31, 2017.

The overall movement in total non-current assets relates to capital additions on Dussafu in the quarter of USD 1.5 million, partially offset by the effect of the Aje depreciation charge of USD 0.9 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 10.4 million as of March 31, 2018, compared to USD 9.8 million at December 31, 2017.

Trade and other receivables stood at USD 0.3 million, a decrease from USD 0.6 million at the end of December 2017, reflecting a decrease in Panoro's portion of unspent cash held in the Dussafu JV. USD 3.5 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory and accumulated operating costs, prior to being expensed in the second quarter of 2018 upon recognition of sale on lifting.

Cash and cash equivalents stood at USD 5.1 million at March 31, 2018, not including USD 1.5 million cash held as collateral against Aje dispute costs by the UK Court Funds Office, which was refunded to the Company with accumulated interest, post-period-end. On an overall basis, cash balances decreased from USD 6.3 million at December 31, 2017. No Aje related cash calls were paid during the quarter, and there was no receivable from any lifting.

Equity

Equity amounted to USD 15.1 million as of March 31, 2018, compared to USD 17.3 million at the end of December 2017. The change reflects the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 12.1 million as at March 31, 2018, compared to USD 11.1 million as at December 31, 2017 and include 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 March 31, 2018, Panoro's drawdown on the non-recourse loan was USD 3.1 million compared to USD 2.2 million as at December 31, 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 JV liabilities.

Current liabilities

Current liabilities amounted to USD 9.3 million at March 31, 2018, compared to USD 6.8 million at the end of December 2017.

Accounts payable, accruals and other liabilities amounted to USD 9.2 million, an increase from USD 6.7 million at the end of December 2017. The increase in part, represents Aje operational accruals as at March 31, 2018. The tax liability of USD 0.1 million remain unchanged and relates to recognised 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 in combination with the operation accruals have resulted in proportional liabilities of USD 8.2 million as of March 31, 2018. 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 up to the end of 2018. 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. An Aje lifting was completed in early April 2018, which will provide net proceeds to Panoro in excess of USD 3 million; Panoro's share of these proceeds will reduce Aje related payables (which includes operating costs) in the second quarter 2018.

Outlook

- Progress on Dussafu oil development with first oil production in 2H 2018
- Additional well to test one of several robust prospects in the Ruche area of the Dussafu Exclusive Exploitation Authorisation
- Forward planning on next phases at Aje
- Actively reviewing growth opportunities

The Board of Directors

Panoro Energy ASA

May 23, 2018

Julien Balkany	Hilde Ådland	Alexandra Herger
Chairman of the Board	*Non-Executive Director*	*Non-Executive Director*

Torstein Sanness	Garrett Soden
Non-Executive Director	*Non-Executive Director*

Condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED MARCH 31, 2018

Amounts in USD 000	Note	Q1 2018	Q4 2017	Q1 2017
			(Unaudited)	
Continuing Operations				
Oil and gas revenue		-	1,577	1,327
Total revenues		**-**	**1,577**	**1,327**
Operating costs		-	(2,224)	(2,542)
Exploration related costs		(43)	(18)	(81)
Non-recurring dispute costs		(95)	(45)	-
General and administrative costs		(1,040)	(829)	(1,248)
EBITDA		**(1,178)**	**(1,539)**	**(2,544)**
Depreciation, depletion and amortisation		(872)	112	(776)
Impairment of Assets		-	(2,606)	-
Share based payments		(51)	(52)	(20)
EBIT - Operating income/(loss)		**(2,101)**	**(4,085)**	**(3,340)**
Interest costs net of income		(83)	(272)	(1)
Other financial costs net of income		(34)	(33)	(38)
Net foreign exchange gain / (loss)		(8)	19	7
Net income/(loss) before tax		**(2,226)**	**(4,371)**	**(3,372)**
Income tax benefit/(expense)		-	(14)	18
Net income/(loss) for the period from continuing operations		**(2,226)**	**(4,385)**	**(3,354)**
Discontinued operations				
Net income / (loss) for the period from discontinued operations	4	(44)	(60)	(102)
Net income / (loss) for the period		**(2,270)**	**(4,445)**	**(3,456)**
Exchange differences arising from translation of foreign operations				
Other comprehensive income/(loss) for the period (net of tax)		**(3)**	**-**	**(2)**
Total comprehensive income/(loss) for the period (net of tax)		**(2,273)**	**(4,445)**	**(3,458)**
Net income /(loss) for the period attributable to:				
Equity holders of the parent		(2,270)	(4,445)	(3,456)
Total comprehensive income / (loss) for the period attributable to:				
Equity holders of the parent		(2,273)	(4,445)	(3,458)
Earnings per share	5			
(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(0.05)	(0.10)	(0.08)
(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.05)	(0.10)	(0.08)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2018

Amounts in USD 000		March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Non-current assets			
Licenses and exploration assets	6	13,596	13,596
Development assets	6	3,220	1,694
Production assets and equipment	6	9,048	9,902
Property, furniture, fixtures and office equipment		84	102
Other non-current assets		139	134
Total Non-current assets		**26,087**	**25,428**
Current assets			
Crude Oil Inventory		3,482	1,398
Trade and other receivables		292	615
Cash and cash equivalents		5,133	6,317
Cash Security Deposit	2.1	1,500	1,500
Total current assets		**10,407**	**9,830**
Total Assets		**36,494**	**35,258**
Equity			
Share capital	7	299	299
Treasury Shares		(503)	(503)
Other equity		15,306	17,524
Total Equity attributable to equity holders of the parent		**15,102**	**17,320**
Non-current liabilities			
Decommissioning liability		2,068	2,039
Long-term liabilities	8	3,148	2,197
Other long-term liabilities	9	6,877	6,892
Total Non-current liabilities		**12,093**	**11,128**
Current liabilities			
Accounts payable, accruals and other liabilities	9	9,226	6,737
Corporation tax liability		73	73
Total current liabilities		**9,299**	**6,810**
Total Liabilities		**21,392**	**17,938**
Total Equity and Liabilities		**36,494**	**35,258**

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED MARCH 31, 2018

Amounts in USD 000	**Q1 2018**	**Q4 2017**	**Q1 2017**
		(Unaudited)	
Cash flows from operating activities			
Net (loss)/ income from continuing operations	(2,226)	(4,371)	(3,372)
Net (loss)/ income from discontinued operations	(44)	(42)	(102)
Net (loss)/ income for the period before tax	(2,270)	(4,413)	(3,474)
Adjusted for:			
Depreciation	872	(112)	776
Impairment and asset write-off	-	2,606	-
Exploration related costs	43	18	81
Net finance costs	117	305	39
Share-based payments	51	52	21
Foreign exchange gains/losses	13	(19)	(7)
Increase/(decrease) in trade and other payables	2,261	253	3,643
(Increase)/decrease in trade and other receivables	(169)	286	(452)
(Increase)/decrease in crude oil inventory	(2,084)	(459)	(2)
Taxes paid	(19)	(31)	4
Net cash flows from operating activities	**(1,185)**	**(1,514)**	**629**
Cash flows from investing activities			
Proceeds from disposal of Assets	-	1,000	-
Investment in exploration, production and other assets	(1,526)	(775)	(3,698)
Increase/(decrease) in non-recourse loan	1,526	775	-
Net cash flows from investing activities	**-**	**1,000**	**(3,698)**
Cash flows from financing activities			
Net proceeds from Equity Private Placement	-	-	-
Net financial income (net of charges paid)	4	(2)	(8)
Movement in restricted cash balance	-	-	(980)
Net cash flows from financing activities	**4**	**(2)**	**(988)**
Effect of foreign currency translation adjustment on cash balances	(3)	-	(1)
Change in cash and cash equivalents during the period	(1,184)	(516)	(4,058)
Cash and cash equivalents at the beginning of the period	6,317	6,833	4,768
Cash and cash equivalents at the end of the period	**5,133**	**6,317**	**710**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2018 *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, 2018 - (Audited)	**299**	**297,490**	**(503)**	**122,206**	**(358,766)**	**(37,647)**	**(5,758)**	**17,320**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(2,226)	-	-	(2,226)
Net income/(loss) for the period-Discontinued Operatio	-	-	-	-	(44)	-	-	(44)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(2,270)	-	-	(2,270)
Employee share options charge/(benefit)	-	-	-	52	-	-	-	52
At March 31, 2018 - (Unaudited)	**299**	**297,490**	**(503)**	**122,258**	**(361,036)**	**(37,647)**	**(5,758)**	**15,102**

For the three months ended December 31, 2017 *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 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 Operatio	-	-	-	-	(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 - (Audited)	**299**	**297,490**	**(503)**	**122,206**	**(358,766)**	**(37,647)**	**(5,758)**	**17,320**

For the three months ended March 31, 2017 *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, 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**

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 March 31, 2018, were authorised for issue by the Board of Directors on May 23, 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 2017 Annual Report and the Company's Prospectus, published in March 2016. A copy of the 2017 Annual Report is available on the Company's website at http://www.panoroenergy.com.

The condensed consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars (USD 000), except when otherwise stated.

2.1 Significant accounting policies 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 2017 Annual Report.

The Company had USD 5.1 million in cash and cash equivalents as of March 31, 2018, not including USD 1.5 million cash which was refunded to the Company with accumulated interest post-period-end; these funds had been held as collateral against costs in support of our legal dispute at Aje, which is now resolved and as such have been reclassified on the balance sheet as Cash Security Deposit. The Company expects it is fully funded through the development of Phase 1 at Dussafu, from cash balances, cash flow from operations, and the non-recourse loan from BWEG. Should additional funding be required in the future for additional capital expenditure for new development phases or working capital requirements, the Company has various alternatives available which it can explore to fulfil such additional requirements. The options include, amongst others, debt financing, offtake prepayment structures, and the issuance of shares. As a result, these interim 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 8.3333% 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 6.502% 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.

	Q1 2018	Q4 2017	Q1 2017
OPERATING SEGMENTS - GROUP NET SALES		***(Unaudited)***	
Net average estimated daily production - Aje *(bopd)*	384	285	248
Oil sales *(bbls) - Net to Panoro*	-	25,978	26,210
OPERATING SEGMENT - WEST AFRICA		***(Unaudited)***	
in USD 000			
EBITDA	(1,042)	1,423	(2,099)
Impairment of E&E Assets	-	2,606	-
Depreciation and amortisation	854	(130)	759
Segment assets	30,984	29,675	57,915
CORPORATE			
in USD 000			
EBITDA	(136)	(2,962)	(445)
Depreciation and amortisation	18	18	17
Segment assets	5,427	5,452	974
DISCONTINUED OPERATIONS			
in USD 000			
Income / (Loss) for the period from discontinued operations	(44)	(60)	(102)
Segment assets	83	131	52
CONSOLIDATED			
in USD 000			
EBITDA	(1,178)	(1,539)	(2,544)
Income / (loss) for the period from discontinued operations	(44)	(60)	(102)
Depreciation and amortisation	872	(112)	776
Impairment of E&E Assets	-	2,606	-
Segment assets	36,494	35,258	58,941

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.

	Q1 2018	Q4 2017	Q1 2017
	USD 000 - (Unaudited)		
Oil and gas revenue	-	-	-
Total revenues and other income	**-**	**-**	**-**
Production costs	-	-	-
Redundancies and restructuring costs	-	-	-
General and administration costs	(16)	(30)	(15)
EBITDA	**(16)**	**(30)**	**(15)**
Depreciation	-	-	-
Impairment	(9)	(10)	(68)
Share based payments	-	-	-
Gain/(loss) on sale of subsidiary	-	-	-
EBIT - Operating income / (loss)	**(25)**	**(40)**	**(83)**
Interest costs net of income	1	-	-
Other financial costs net of income	(1)	(2)	-
Net foreign exchange gain / (loss)	-	-	-
Income / (loss) before tax	**(25)**	**(42)**	**(83)**
Income tax benefit / (expense)	(19)	(18)	(19)
Net income/(loss) for the period from discontinued operations	**(44)**	**(60)**	**(102)**
Earning per share – basic and diluted (USD) for the period from discontinued operations	(0.00)	(0.00)	(0.00)

5. Earnings per share

Amounts in USD 000, unless otherwise stated	Q1 2018	Q4 2017	Q1 2017
	(Unaudited)		
Net profit / (loss) attributable to equity holders of the parent - **Total**	(2,270)	(4,445)	(3,456)
Net profit / (loss) attributable to equity holders of the parent - **Continuing operations**	(2,226)	(4,385)	(3,354)
Weighted average number of shares outstanding - in thousands	42,502	42,502	42,502
Basic and diluted earnings per share (USD) - Total	(0.05)	(0.01)	(0.10)
Basic and diluted earnings per share (USD) - Continuing operations	(0.05)	(0.01)	(0.10)

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

	Licence Interest, Exploration and Evaluation Assets	Development Assets	Production Assets	Total Assets
	USD 000	*USD 000*	*USD 000*	*USD 000*
Net book value				
At January 1, 2018 ***(Audited)***	**13,596**	**1,694**	**9,902**	**25,192**
Development Asset Additions	-	1,526	-	1,526
Depreciation	-	-	(854)	(854)
At March 31, 2018 ***(Unaudited)***	**13,596**	**3,220**	**9,048**	**25,864**

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.

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 March 31, 2018 and December 31, 2017, 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 March 31, 2018, Panoro's drawdown on the non-recourse loan was USD 3.1 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 in combination with the operation accruals have resulted in proportional liabilities of USD 8.2 million as of March 31, 2018. 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 up to the end of 2018. 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. An Aje lifting was completed in early April 2018, which will provide net proceeds to Panoro in excess of USD 3 million; Panoro's share of these proceeds will reduce Aje related payables (which includes operating costs) in the second quarter 2018.

10. Subsequent events

At Dussafu, the first development well, DTM-2H, completed successfully in April with the subsea tree installed ready for production start-up. An appraisal well, DTM-3, has also been drilled in the western flank of the Tortue field and encountered oil in Gamba and Dentale D2B and D6 reservoirs. In May, a second development well, DTM-3H, was spudded from the DTM-3 top hole section and will be completed as the Phase 1 Gamba production well.

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.

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