Panoro Energy

Third Quarter Report 2018

November 12, 2018

Contents

Highlights and events

Third Quarter 2018 highlights and subsequent events

Highlights

- Successive transactions in Tunisia and first oil at Dussafu have substantially transformed Panoro
- Nine-fold approximate increase in production as compared to Q2 2018 (on a pro-forma basis including company in the process of being acquired)
- Material increase in reserves, resources, and exploration potential

Dussafu

- Phase 1 development completed on time and on budget; first oil production achieved on September 15, 2018
- Initial production rates observed to be in the middle of guided range 10,000 – 15,000 bopd gross; further tests underway
- Oil discovery at Ruche North East well in both the pre-salt Gamba and Dentale reservoirs
- Phase 2 planning further advanced during the quarter

Aje

- Current oil production operations continue with stable production at 386 bopd net to Panoro during the quarter
- JV partners focus is on progressing the Turonian development plan
- Licence renewal granted for an additional 20 years subject to customary conditions

Tunisia

- Acquisition of DNO Tunisia AS completed in July 2018, providing Panoro with high quality assets and a full operating organisation
- Integration of business completed during the quarter
- Signed heads of terms for the drilling of Salloum well, subject to license renewal

Corporate

- Cash balance as at September 30, 2018 of USD 19.4 million
- Successfully completed an equity private placement in July 2018, raising USD 8.3 million in gross proceeds
- New equity private placement announced in November 2018, raising USD 30 million in gross proceeds, subject to Extraordinary General Meeting of shareholders to be held on November 29, 2018
- Signature of Share Purchase Agreement with OMV Exploration & Production GmbH on November 7, 2018 to acquire 100% of the shares of OMV Tunisia Upstream GmbH; closing anticipated mid-December

Operational update

GABON

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

Phase 1 development activities at the Tortue field in the Dussafu PSC were completed during the quarter, and first oil was achieved at the field in September 2018. The project was completed safely, on budget and comfortably within the guided timeframe. The two initial horizontal development wells, DTM-2H and DTM-3H, are now producing oil from the Dentale and Gamba reservoirs into the BW Adolo FPSO via the installed subsea systems. Whilst the wells and FPSO process plant are still being optimised for the phase 1 production, and pressure build up tests are being conducted, initial production rates are observed to be in the middle of guided range 10,000 – 15,000 bopd gross. An initial lifting of crude oil from the FPSO is planned for November 2018.

Following the Tortue phase 1 production start-up and the successful appraisal of the western flank of the Tortue field, phase 2 development plans are being finalised. Phase 2 at Tortue is likely to consist of up to four additional subsea wells tied back to the FPSO, and Operator BW Energy estimates 2P gross reserves for the Tortue phase 1 and phase 2 to be between 30 and 40 million barrels recoverable. First oil from phase 2 is planned for 2020.

In August 2018, the DRNEM-1 well was drilled on the Ruche North East prospect and well reached a vertical depth of 3,400 metres within the Dentale Formation. Log evaluation, pressure data and fluid samples indicated that approximately 15 metres of good quality oil pay was encountered in the Gamba Formation and 25 metres of oil pay in stacked reservoirs within the Dentale Formation. In September, a side-track was drilled approximately 800 metres to the northwest of the original wellbore and found approximately 34 metres of total oil pay (TVD) in the Gamba and Dentale reservoirs. In addition, several other stacked sands with oil shows were encountered. These newly discovered resources at Ruche North East, when combined with those at Ruche, discovered by Panoro in 2011, form a significant accumulation in the centre of the Dussafu license area. The JV is now conceptualising a development of the greater Ruche area to tie back to the FPSO at Tortue.

NIGERIA

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

The Aje field produced an average of 386 barrels of oil per day net to Panoro during the quarter, and this compares to 295 barrels of oil per day net in Q2 2018. Production from the Aje field continued to be 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 crude lifting was carried out in August 2018 and the next lifting is scheduled for November 2018. Proceeds from crude sales are being applied by the JV towards operating expenses and the reduction of historical payables. The Joint Venture partners are continuing to discuss the next phase of activity at the field based around the submitted Turonian gas FDP and possible exploitation of the Turonian oil rim. The Operator has received Ministerial consent for OML 113 license renewal for an additional 20 years, subject to the satisfaction of customary financial conditions and a commitment to exploit the Turonian gas potential.

TUNISIA

Panoro completed the acquisition of DNO Tunisia AS on July 30, 2018. Following the acquisition Panoro now has interests in two assets, the Sfax Offshore Exploration Permit ("SOEP") and the Ras El Besh Concession, which is within the SOEP area.

Sfax Offshore Exploration Permit: Panoro Energy (Operator, 87.5% interest)

Panoro signed a Heads of Terms with Compagnie Tunisienne de Forage ("CTF"), the Tunisian state-owned drilling contractor, for the use of an onshore rig for the drilling of the Salloum West-1 well ("SAMW-1"). The spud date of the SAMW-1 well is anticipated to be in the first half of 2019 and is subject to the entry into a third renewal period of the SOEP for a period of 3 years, and the subsequent approval of the final drilling program and budget by ETAP. Advanced discussions for the renewal are ongoing with the Tunisian Authorities.

The primary objective of the SAMW-1 well is the Bireno formation, at approximately 3,200 metres vertical depth, where the Company has identified, based on 2D and 3D seismic data, what it believes to be an extension of the Salloum structure to the west. The SAMW-1 well will target an independent fault compartment up-dip from the Salloum-1 well which was drilled by British Gas in 1992 and tested the Bireno formation at a rate of 1,846 bopd. The objective of the SAMW-1 well is to prove up additional resources in the vicinity of the Salloum-1 well and subsequently fast-track the development of Salloum through a tie-in to existing adjacent oil infrastructure.

The decision to drill this new well is supported by rig availability, cost-savings due to drilling equipment for the well already being owned and stored in Panoro's Sfax warehouse, existing 2D and 3D seismic covering the SAMW-1 location, close proximity to the Salloum-1 discovery well, the existing adjacent oil infrastructure, and a high chance of success.

Hammamet Offshore Exploration Permit: Medco (Operator), Panoro Energy (46% interest)

The Hammamet Offshore Exploration Permit expired in September 2018, and is in the process of being formally relinquished with associated costs as previously indicated.

CORPORATE

In July 2018, Panoro completed the acquisition of DNO Tunisia AS, for no cash consideration thereby adding high quality assets, a full operating organisation and USD 8.6 million in cash. In conjunction with the DNO Tunisia AS acquisition, the Company has also raised USD 8.3 million in equity private placement by issue of new and treasury shares.

On November 7, 2018 the Company's newly incorporated subsidiary Panoro Tunisia Production AS (the "Buyer") signed an agreement with OMV Exploration & Production GmbH (the "Seller") to acquire 100% of the shares of OMV Tunisia Upstream GmbH (the "Target"). The Target holds a 49% interest in five oil production concessions in Tunisia and 50% of Thyna Petroleum Services ("TPS") which serves as the operating company for the concessions and employs approximately 130 employees and in addition a number of contractors. This transformational acquisition adds high quality oil producing assets with existing infrastructure, well managed operations and substantial upside potential. In addition, it further establishes Tunisia as a new core area for the Company and is an important step towards the Company becoming a material, full-cycle African focused E&P independent. The purchase price to be paid to the Seller in cash is USD 65 million based on an effective date of January 1, 2018.

In conjunction with the acquisition of the Target, in November 2018, the Company announced that it has successfully completed a USD 30 million (equivalent to approximately NOK 250 million) Equity Private Placement with the support of new and existing shareholders. The Private Placement was multiple times covered and the price in the book-building was set at NOK 16.10 per share. As a result, 15,580,000 shares will be issued following the Private Placement. The completion of the Private Placement and delivery of the new shares is expected to occur on or about December 7, 2018 and is inter alia conditional upon (i) the approval by an Extraordinary General Meeting in Panoro, to be held on November 29, 2018, and (ii) no termination of the share purchase agreement related to the acquisition of OMV Tunisia Upstream GmbH from OMV Exploration & Production GmbH. In addition, approximately 167,000 shares will be issued to Mercuria Energy as the consideration for arrangement fee towards the junior loan facility. Please refer to Note 12. Subsequent events for further details.

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

Third quarter 2018 versus second quarter 2018

Panoro Energy reported an EBITDA of negative USD 2.0 million for the third quarter, 2018, compared to positive USD 0.5 million in the second quarter, 2018.

Negative EBITDA in the third quarter is due in part to a lower volume of Aje lifting compared to the previous quarter. There are also the effects of the inclusion of exploration related costs of USD 0.4 million which form part of the acquisition of DNO Tunisia AS (Note 11) and the Company's non-recurring transaction costs.

Oil and gas revenue in the third quarter, 2018 was USD 2.6 million, based on the sale of the Company's net entitlement volume of 36,928 bbls. Revenue in the second quarter, 2018 was USD 4.6 million, based on the sale of the Company's net entitlement volume of 68,206 bbls.

Costs attributed to operations were USD 2.1 million at Aje for the third quarter, compared to USD 3.1 million in the previous quarter.

Panoro Energy reported a net loss of USD 3.0 million from continuing operations for the third quarter, 2018, an increase in loss of USD 2.7 million, compared to a loss of USD 0.3 million in the second quarter, 2018. The current quarter loss is higher due to lower volumes lifted on Aje, exploration related costs and the Company's non-recurring transaction costs.

Exploration related costs increased from USD 31 thousand for the second quarter, 2018 to USD 0.5 million in the current quarter, following the inclusion of costs of USD 0.4 million which form part of the acquisition of DNO Tunisia AS.

General and Administration (G&A) costs from continuing activities were higher at USD 1.5 million in the third quarter, compared to USD 1.0 million in the second quarter. USD 0.4 million of the G&A costs quarterly increase relate directly to Tunisia. Non-recurring transaction costs of USD 539 thousand primarily relate to acquisition projects which has been expensed as incurred.

Depreciation for the third quarter, 2018 was a charge of USD 0.8 million, compared to USD 0.6 million in the previous quarter. The quarter-on-quarter increase predominantly relates to the Aje Cenomanian oil field, the initial depreciation of Tortue oil field, following first oil in the quarter and the inclusion of depreciation charges as part of the acquisition of DNO Tunisia AS.

EBIT from continuing operations was thus a negative USD 2.9 million in the third quarter, 2018, compared to a negative USD 0.2 million in the second quarter.

Net financial items amounted to a net expense of USD 115 thousand in the third quarter, 2018 effectively unchanged from USD 123 thousand in the second quarter, 2018.

Loss before tax from continuing activities was USD 3.0 million in the third quarter, 2018 which was higher by USD 2.7 million compared to the previous quarter loss of USD 0.3 million.

Net loss for the period from discontinued operations in Brazil was USD 27 thousand for the current quarter, compared to the previous quarter at USD 45 thousand.

The total net loss was USD 3.0 million, compared to a net loss of USD 0.3 million in the previous quarter.

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

Year to date 2018 versus year to date 2017

Panoro Energy reported an EBITDA of negative USD 2.6 million for the nine months to September 30, 2018, compared to negative USD 3.8 million in the same period in 2017.

EBITDA includes the oil and gas revenue from the two liftings from the Aje field during 2018 and the associated Aje operating costs.

Oil and gas revenue in the nine months to September 30, 2018 was USD 7.3 million and is based on the Company's entitlement barrels; the revenue was generated by the sale of the net entitlement volume of 105,129 bbls. This compares to revenue of USD 4.4 million in the nine months to September 30, 2017 from the sale of the Company's net entitlement barrels of 87,389 bbls.

Panoro Energy reported a net loss of USD 5.5 million from continuing operations for the nine months to September 30, 2018, a decrease in loss of USD 26.5 million, compared to a loss of USD 31.9 million in the same period in 2017. The decrease in loss was mainly due to the inclusion of Aje impairment charges in 2017.

Exploration related costs increased to USD 0.5 million in the nine months to September 30, 2018, up from USD 0.3 million in same period in 2017, with 2018 including the effect of exploration related costs of USD 0.4 million which form part of the acquisition of DNO Tunisia AS.

General and Administration costs from continuing operations were USD 3.6 million in the nine months to September 30, 2018, up from USD 2.8 million for the same period in 2017, reflecting the inclusion of USD 0.4 million for Tunisia and new business activities undertaken during 2018. Non-recurring transaction costs of USD 634 thousand primarily relate to acquisition projects which has been expensed as incurred.

Depreciation for the period was USD 2.3 million, increasing from USD 2.0 million in the same period in 2017, predominantly relating to the depreciation of the Aje Cenomanian oil field in both periods. However, 2018 reflects the initial depreciation of Tortue oil field, following first oil in the third quarter, 2018 and also the inclusion of depreciation charges as part of the acquisition of DNO Tunisia AS.

EBIT from continuing operations was thus a negative USD 5.1 million for the nine months to September 30, 2018, compared to a negative USD 31.9 million in the same period of 2017. The change relates to the inclusion of impairment charges on Aje field in 2017.

Net financial items amounted to an expense of USD 363 thousand in the current period compared to an expense of USD 74 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 5.5 million for the nine months to September 30, 2018, compared to the loss of USD 31.9 million for the same period in 2017. The higher loss in 2017 is originating from impairment charges on Aje field.

Net loss for the period from discontinued operations in Brazil was USD 116 thousand for the current period, compared to a net loss of USD 217 thousand for the same period in 2017.

The total net loss for the nine months to September 30, 2018 was USD 5.6 million, compared to a net loss of USD 32.1 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

<u>Movements to September 30, 2018 from June 30, 2018</u>

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

<u>Non-current assets</u>

Non-current assets amounted to USD 37.4 million at September 30, 2018, an increase of USD 5.7 million from June 30, 2018.

The overall movement in total non-current assets relates to capital additions on Dussafu in the quarter of USD 6.3 million, partially offset by the effect of the Aje depreciation charge of USD 0.7 million. Property, furniture, fixtures and equipment reflects the inclusion of assets which form part of the acquisition of DNO Tunisia AS of USD 180 thousand.

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

<u>Current assets</u>

Current assets amounted to USD 24.3 million as of September 30, 2018, compared to USD 8.1 million at June 30, 2018.

During the quarter, the Company completed the acquisition (the "Transaction") of DNO Tunisia AS (now renamed to Panoro Tunisia Exploration AS "PTE"). The Company assumed the unfulfilled work obligations as part of the Transaction, also retaining approximately USD 8.6 million in cash after completion adjustments.

Also during the quarter, An Equity Private Placement of 10% of Panoro's share capital and sale of treasury shares was launched simultaneously with the Transaction, which resulted in a significantly oversubscribed issue, raising gross proceeds of USD 8.3 million net to Panoro.

In addition, trade and other receivables stood at USD 1.6 million, an increase from USD 0.2 million at the end of June 2018. USD 1.7 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory and materials inventory of USD 1.5 million was acquired as part of the Transaction.

Consequently, cash and cash equivalents stood at USD 19.4 million at September 30, 2018, compared to USD 5.5 million at June 30, 2018.

<u>Equity</u>

Equity amounted to USD 19.5 million as of September 30, 2018, compared to USD 14.8 million at the end of June 2018. The change reflects completion of the Private Placement, the sale of the Company's treasury shares and also the loss for the period.

<u>Non-current liabilities</u>

Total non-current liabilities of USD 26.0 million as at September 30, 2018, compared to USD 16.0 million as at June 30, 2018.

The increase includes the non-recourse loan from BW Energy on Dussafu, which has now been split and reclassified into long-term (USD 7.6 million) and short-term (USD 5.3 million). As of September 30, 2018, Panoro's drawdown on the non-recourse loan was at the loan facility's ceiling of USD 12.5 million, with additionally USD 0.4 million of accumulated interest, compared to USD 7.1 million as at June 30, 2018. The non-recourse loan became repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses, following First Oil on Dussafu, achieved during the quarter. During the repayment phase, Panoro will still be entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations.

In addition, Panoro has assumed the unfulfilled work obligations as part of the Transaction and as such, USD 8.0 million is reflected in long-term licence obligations.

Decommissioning provisions for both the Aje and Dussafu fields have been recognised for USD 3.6 million, following the oil production start-up at Dussafu, during the quarter.

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.

<u>Current liabilities</u>

Current liabilities amounted to USD 16.2 million at September 30, 2018, compared to USD 8.9 million at the end of June, 2018.

USD 5.3 million reflects the reclassification in part of the Dussafu non-recourse loan and USD 3.0 million of the short-term portion of unfulfilled work obligations as part of the Transaction, and. Partially offsetting this is a reduction in accounts payable while also including the Dussafu operational accrual of USD 1.1 million, accruals and other liabilities amounted to USD 7.8 million, a decrease from USD 8.8 million at the end of June, 2018. This represents a reduction in current Aje operational payables of USD 1.1 million, compared to June 30, 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 had been higher than anticipated and in combination with the operation accruals have resulted in proportional liabilities of USD 4.6 million as of September 30, 2018, compared to USD 5.7 Million as of June 30, 2018. Such liabilities continue to be current in nature and are expected to be repaid within 12 months.

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. 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 scheduled for November, which will provide net proceeds to Panoro in the region of USD 2.5 million; Panoro's share of these proceeds will reduce Aje related payables (which includes operating costs) in the fourth quarter 2018.

Movements to September 30, 2018 from December 31, 2017

Movements in the Group statement of financial position during the nine months to September 30, 2018 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 37.4 million at September 30, 2018, an increase of USD 11.9 million from December 31, 2017.

The overall movement in total non-current assets relates to capital additions on Dussafu in the period of USD 14.0 million, partially offset by the effect of the Aje depreciation charge of USD 2.2 million. Property, furniture, fixtures and equipment reflects the inclusion of assets which form part of the acquisition of DNO Tunisia AS.

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

Current assets

Current assets amounted to USD 24.3 million as of September 30, 2018, compared to USD 9.8 million at December 31, 2017.

During the nine months to September 30, 2018, the Company completed the acquisition (the "Transaction") of DNO Tunisia AS (now renamed to Panoro Tunisia Exploration AS "PTE"). The Company assumed the unfulfilled work obligations as part of the Transaction, also retaining approximately USD 8.6 million in cash after completion adjustments.

Also during the period, An Equity Private Placement of 10% of Panoro's share capital and sale of treasury shares was launched simultaneously with the Transaction, which resulted in a significantly oversubscribed issue, raising gross proceeds of USD 8.3 million net to Panoro.

In addition, trade and other receivables stood at USD 1.6 million, an increase from USD 0.6 million at the end of December 2017. USD 1.7 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory and materials inventory of USD 1.5 million as part of the Transaction.

Consequently, cash and cash equivalents stood at USD 19.4 million at September 30, 2018, compared to USD 6.3 million at December 31, 2017.

Equity

Equity amounted to USD 19.5 million as of September 30, 2018, compared to USD 17.3 million at the end of December 2017. The change reflects completion of the Private Placement, the sale of the Company's treasury shares and also the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 26.0 million as at September 30, 2018, compared to USD 11.1 million as at December 31, 2017.

The increase includes the non-recourse loan from BW Energy on Dussafu, which has now been split and reclassified into long-term (USD 7.6 million) and short-term (USD 5.3 million). As of September 30, 2018, Panoro's drawdown on the non-recourse loan was at the loan facility's ceiling of USD 12.5 million, with additionally USD 0.4 million of accumulated interest, compared to USD 2.2 million as at December 31, 2017. The non-recourse loan became repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses, following First Oil on Dussafu, achieved during the period. During the repayment phase, Panoro will still be entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations.

In addition, Panoro has assumed the unfulfilled work obligations as part of the Transaction and as such, USD 8.0 million is reflected in long-term licence obligations.

Decommissioning provisions for both the Aje and Dussafu fields have been recognised for USD 3.6 million, following the oil production start-up at Dussafu, during the quarter.

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 16.2 million at September 30, 2018, compared to USD 6.8 million at the end of December, 2017.

USD 5.3 million reflects the reclassification in part of the Dussafu non-recourse loan and USD 3.0 million of the short-term portion of unfulfilled work obligations as part of the Transaction. Although there is an increase in accounts payable, accruals and other liabilities compared to December 31, 2017, there is an underlying reduction in current Aje operational payables of USD 1.5 million. The tax liability of USD 0.1 million remain unchanged and relates to recognised historical tax liability in Brazil.

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. 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 scheduled for November, which will provide net proceeds to Panoro in the region of USD 2.5 million; Panoro's share of these proceeds will reduce Aje related payables (which includes operating costs) in the fourth quarter 2018.

Outlook

- Progress on Dussafu Phase 2 planning
- Develop and progress Tunisian portfolio of Assets, including the drilling of Salloum prospect
- Forward planning on next phases at Aje
- Continue to actively reviewing growth opportunities

The Board of Directors

Panoro Energy ASA

November 12, 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 SEPTEMBER 30, 2018

Q3 2017	Q2 2018	Q3 2018	*Amounts in USD 000*	Note	YTD 2018	YTD 2017
(Unaudited)					*(Unaudited)*	
			Continuing Operations			
3,117	4,625	2,642	Oil and gas revenue		7,267	4,444
-	-	-	Other Income		-	497
3,117	**4,625**	**2,642**	**Total revenues**		**7,267**	**4,941**
(1,933)	(3,072)	(2,104)	Operating costs		(5,176)	(4,634)
(16)	(31)	(457)	Exploration related costs		(531)	(325)
(330)	-	(539)	Non-recurring costs	4	(634)	(950)
(897)	(1,024)	(1,509)	General and administrative costs	4	(3,573)	(2,826)
(59)	**498**	**(1,967)**	**EBITDA**		**(2,647)**	**(3,794)**
(404)	(615)	(822)	Depreciation, depletion and amortisation		(2,309)	(2,010)
-	-	-	Impairment of Assets		-	(25,970)
(60)	(46)	(66)	Share based payments		(163)	(97)
(523)	**(163)**	**(2,855)**	**EBIT - Operating income/(loss)**		**(5,119)**	**(31,871)**
12	(84)	(96)	Interest costs net of income		(263)	18
(34)	(36)	(38)	Other financial costs net of income		(108)	(103)
(2)	(3)	19	Net foreign exchange gain / (loss)		8	11
(547)	**(286)**	**(2,970)**	**Net income/(loss) before tax**		**(5,482)**	**(31,945)**
-	-	-	Income tax benefit/(expense)		-	18
(547)	**(286)**	**(2,970)**	**Net income/(loss) for the period from continuing operations**		**(5,482)**	**(31,927)**
			Discontinued operations			
(29)	(45)	(27)	Net income / (loss) for the period from discontinued operations		(116)	(217)
(576)	**(331)**	**(2,997)**	**Net income / (loss) for the period**		**(5,598)**	**(32,144)**
			Exchange differences arising from translation of foreign operations			
(1)	**-**	**-**	**Other comprehensive income/(loss) for the period (net of tax)**		**(3)**	**(3)**
(577)	**(331)**	**(2,997)**	**Total comprehensive income/(loss) for the period (net of tax)**		**(5,601)**	**(32,147)**
			Net income /(loss) for the period attributable to:			
(576)	(331)	(2,997)	Equity holders of the parent		(5,598)	(32,144)
			Total comprehensive income / (loss) for the period attributable to:			
(577)	(331)	(2,997)	Equity holders of the parent		(5,601)	(32,147)
			Earnings per share	5		
(0.01)	(0.01)	(0.07)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(0.13)	(0.76)
(0.01)	(0.01)	(0.07)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.13)	(0.76)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2018

Amounts in USD 000		September 30, 2018	June 30, 2018	December 31, 2017
		(Unaudited)	*(Unaudited)*	*(Audited)*
Non-current assets				
Licenses and exploration assets	6	13,596	13,596	13,596
Development assets	6	-	9,416	1,694
Production assets and equipment	6	23,407	8,450	9,902
Property, furniture, fixtures and office equipment		241	67	102
Other non-current assets		129	130	134
Total Non-current assets		**37,373**	**31,659**	**25,428**
Current assets				
Crude Oil Inventory		1,736	2,396	1,398
Materials Inventory	11	1,470	-	-
Trade and other receivables		1,574	202	615
Cash and cash equivalents	7	19,441	5,481	6,317
Restricted cash		127	-	1,500
Total current assets		**24,348**	**8,079**	**9,830**
Total Assets		**61,721**	**39,738**	**35,258**
Equity				
Share capital	8	331	299	299
Treasury Shares	8	-	(503)	(503)
Other equity		19,173	15,018	17,524
Total Equity attributable to equity holders of the parent		**19,504**	**14,814**	**17,320**
Non-current liabilities				
Decommissioning liability		3,637	2,097	2,039
Long-term Non-Recourse Loan	9	7,600	7,084	2,197
Long-term Licence Obligations	11	7,956	-	-
Other long-term liabilities	10	6,847	6,858	6,892
Total Non-current liabilities		**26,040**	**16,039**	**11,128**
Current liabilities				
Accounts payable, accruals and other liabilities	10	7,816	8,820	6,737
Short-term Non-Recourse Loan	9	5,306	-	-
Short-term Licence Obligations	11	3,000	-	-
Corporation tax liability		55	65	73
Total current liabilities		**16,177**	**8,885**	**6,810**
Total Liabilities		**42,217**	**24,924**	**17,938**
Total Equity and Liabilities		**61,721**	**39,738**	**35,258**

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED SEPTEMBER 30, 2018

Q3 2017	Q2 2018	Q3 2018	Amounts in USD 000	YTD 2018	YTD 2017
(Unaudited)				*(Unaudited)*	
			Cash flows from operating activities		
(547)	(286)	(2,970)	Net (loss)/ income from continuing operations	(5,482)	(31,945)
(10)	(45)	(27)	Net (loss)/ income from discontinued operations	(116)	(161)
(557)	(331)	(2,997)	**Net (loss)/ income for the period before tax**	(5,598)	(32,106)
			Adjusted for:		
404	615	822	Depreciation	2,309	2,010
-	-	-	Impairment and asset write-off	-	25,970
16	31	457	Exploration related costs	531	325
22	120	134	Net finance costs	371	85
60	46	66	Share-based payments	163	97
2	(2)	(19)	Foreign exchange gains/losses	(8)	(11)
(1,691)	(2,810)	1,591	Increase/(decrease) in trade and other payables	1,042	3,831
36	95	(885)	(Increase)/decrease in trade and other receivables	(959)	177
387	1,086	(810)	(Increase)/decrease in inventories	(1,808)	(776)
(21)	(17)	(9)	Taxes paid	(45)	(40)
(1,342)	**(1,167)**	**(1,650)**	**Net cash flows from operating activities**	**(4,002)**	**(438)**
			Cash flows from investing activities		
-	-	-	Proceeds from disposal of Assets	-	11,737
-	-	8,271	Net cash acquired at acquisitions	8,271	-
-	(6,196)	(6,302)	Investment in exploration, production and other assets	(14,024)	(7,685)
-	6,196	5,183	Increase/(decrease) in non-recourse loan	12,905	-
-	**-**	**7,152**	**Net cash flows from investing activities**	**7,152**	**4,052**
(509)	-	8,580	Net proceeds from Equity Private Placement and Treasury Shares	8,580	(509)
-	15	4	Net financial income (net of charges paid)	23	(63)
-	1,500	(127)	Movement in restricted cash balance	1,373	(980)
(509)	**1,515**	**8,457**	**Net cash flows from financing activities**	**9,976**	**(1,552)**
4	-	1	Effect of foreign currency translation adjustment on cash balances	(2)	3
(1,847)	348	13,960	Change in cash and cash equivalents during the period	13,124	2,065
8,680	5,133	5,481	Cash and cash equivalents at the beginning of the period	6,317	4,768
6,833	**5,481**	**19,441**	**Cash and cash equivalents at the end of the period**	**19,441**	**6,833**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
For the nine months ended September 30, 2018 *Amounts in USD 000*	**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 Operations	-	-	-	-	(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**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(286)	-	-	(286)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(45)	-	-	(45)
Other comprehensive income/(loss)	-	-	-	-	-	-	(3)	(3)
Total comprehensive income/(loss)	-	-	-	-	(331)	-	(3)	(334)
Employee share options charge/(benefit)	-	-	-	46	-	-	-	46
At June 30, 2018 - (Unaudited)	**299**	**297,490**	**(503)**	**122,304**	**(361,367)**	**(37,647)**	**(5,761)**	**14,814**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(2,970)	-	-	(2,970)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(27)	-	-	(27)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(2,997)	-	-	(2,997)
Sale of own shares	6	(503)	503	-	-	-	-	6
Share issue for cash	26	8,295	-	-	-	-	-	8,321
Transaction costs on share issue	-	(250)	-	-	-	-	-	(250)
Employee share options charge/(benefit)	-	-	-	66	-	-	-	66
Settlement of Restricted Share Units	-	(107)	-	(351)	-	-	-	(458)
At September 30, 2018 - (Unaudited)	**331**	**304,925**	**-**	**122,019**	**(364,364)**	**(37,647)**	**(5,761)**	**19,504**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
For the nine months ended September 30, 2017 *Amounts in USD 000*	**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**	**(322,177)**	**(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
Settlement of Restricted Share Units	-	-	-	(44)	-	-	-	(44)
At 30 June, 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 30 September, 2017 - (Unaudited)	**299**	**297,503**	**(503)**	**122,154**	**(354,321)**	**(37,647)**	**(5,758)**	**21,726**

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 Africa. The condensed consolidated financial statements of the Group for the period ended September 30, 2018, were authorised for issue by the Board of Directors on November 12, 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 19.4 million in cash and cash equivalents as of September 30, 2018, following the completion of acquisition of DNO Tunisia AS (now renamed to Panoro Tunisia Exploration AS "PTE") and an Equity Private Placement.

The acquisition has provided Panoro with an established team in place and access to three new assets in a new geography. In addition to assuming the unfulfilled work obligations as part of the acquisition, PTE also retained approximately USD 8.6 million in cash after completion adjustments.

In addition, an Equity Private Placement of 10% of Panoro's share capital and sale of treasury shares was also completed simultaneously in July 2018 which resulted in a significantly oversubscribed issue, raising gross proceeds of USD 8.3 million. Following the PTE acquisition and the equity transaction, Panoro's funding situation has strengthened considerably.

3. Segment information

The Group operated predominantly in two business segments being the exploration and production of oil and gas in West Africa (Nigeria & Gabon) and North Africa (Tunisia). 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 North African segment holds the following assets:
  - Sfax Offshore Exploration Permit: Panoro Energy (Operator, 87.5% interest)
  - The Hammamet Offshore Exploration Permit: Medco (Operator), Panoro Energy (46% interest)
- The 'Corporate and others' category consists of head office and service company operations that are not directly attributable to the other segments. 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 2017	Q2 2018	Q3 2018		YTD 2018	YTD 2017
(Unaudited)			**OPERATING SEGMENTS - GROUP NET SALES**	*(Unaudited)*	
403	295	386	**Net average estimated daily production - Aje *(bopd)***	355	314
-	-	594	**Net average estimated daily production - Dussafu *(bopd)***	594	-
61,178	68,206	36,923	**Oil sales *(bbls) - Net to Panoro - Aje, Nigeria***	105,129	87,389
(Unaudited)			**OPERATING SEGMENT - WEST AFRICA**	*(Unaudited)*	
			in USD 000		
374	2,424	(2,383)	**EBITDA**	(1,001)	(2,213)
-	-	-	Impairment of E&E Assets	-	25,970
387	597	762	Depreciation and amortisation	2,213	1,958
-	33,971	-	Segment assets	40,518	24,235
(Unaudited)			**OPERATING SEGMENT - NORTH AFRICA**	*(Unaudited)*	
			in USD 000		
-	-	(775)	**EBITDA**	(775)	-
-	-	54	Depreciation and amortisation	54	-
-	-	-	Segment assets	11,404	-
			CORPORATE		
			in USD 000		
(433)	(1,926)	1,191	**EBITDA**	(871)	(1,581)
17	18	6	Depreciation and amortisation	42	52
-	5,709	-	Segment assets	9,783	7,012
			DISCONTINUED OPERATIONS		
			in USD 000		
(29)	(45)	(27)	Income / (Loss) for the period from discontinued operations	(116)	(217)
-	58	-	Segment assets	16	140
			CONSOLIDATED		
			in USD 000		
(59)	498	(1,967)	**EBITDA**	(2,647)	(3,794)
(29)	(45)	(27)	Income / (loss) for the period from discontinued operations	(116)	(217)
404	615	822	Depreciation and amortisation	2,309	2,010
-	-	-	Impairment of E&E Assets	-	25,970
-	39,738	-	Segment assets	61,721	31,387

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. General and Administrative (G&A) Costs

Q3 2017	Q2 2018	Q3 2018	Amounts in USD 000, unless otherwise stated	YTD 2018	YTD 2017
(Unaudited)				*(Unaudited)*	
897	1,024	1,125	General and Administrative Costs - Core Panoro Group	3,189	2,826
-	-	384	General and Administrative Costs - Panoro Tunisia	384	-
330	-	539	Non-Recurring Transaction Costs	634	950
1,227	**1,024**	**2,048**	**Total General and Administrative Related Costs**	**4,207**	**3,776**

5. Earnings per share

Q3 2017	Q2 2018	Q3 2018	Amounts in USD 000, unless otherwise stated	YTD 2018	YTD 2017
(Unaudited)				*(Unaudited)*	
(576)	(331)	(2,939)	Net profit / (loss) attributable to equity holders of the parent - **Total**	(5,598)	(32,144)
(547)	(286)	(2,912)	Net profit / (loss) attributable to equity holders of the parent - **Continuing operations**	(5,482)	(31,927)
42,502	42,502	45,435	Weighted average number of shares outstanding - in thousands	43,491	42,502
(0.01)	(0.01)	(0.06)	Basic and diluted earnings per share (USD) - Total	(0.13)	(0.76)
(0.01)	(0.01)	(0.06)	Basic and diluted earnings per share (USD) - Continuing operations	(0.13)	(0.75)

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	-	14,024	-	14,024
Transfer from Development to Production Assets	-	(15,718)	15,718	-
Depreciation	-	-	(2,212)	(2,212)
At September 30, 2018 ***(Unaudited)***	**13,596**	**-**	**23,407**	**37,003**

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. Following the commencement of commercial production from Dussafu during the third quarter, Costs incurred post-Final Investment Decision have been reclassified as Production Assets with the commencement of depreciation of these assets.

7. Cash and cash equivalents

Cash and cash equivalents at September 30, 2018 amounted to USD 19.4 million, compared to USD 5.5 million as at June 30, 2018. The increase in cash of USD 13.9 million relates to USD 8.1 million, being the net proceeds from the Private Placement completed during the quarter, USD 8.6 million acquired through the DNO Tunisia acquisition, offset by funding the residual balance of the September 2018 Dussafu cash call and recurring and non-recurring G&A costs.

8. Share capital

The Company has successfully completed a Private Placement during the quarter resolving to issue 4,250,219 new shares each at NOK 12.82 per share to subscribers. In addition, the Company resolved to allot and sell 1,000,000 treasury shares, at a price of NOK 12.82 per share, which together with the Private Placement raised NOK 67 million (approximately USD 8.2 million) in gross proceeds. Following issuance and registration of the new shares the issued and outstanding share capital of the Company was NOK 2,337,620.75 divided into 46,752,415 shares each having a par value of NOK 0.05.

Additionally, and in connection with the Company's Restricted Share Units Plan, announced on August 6, 2018, the Company issued 55,185 new shares to employees. Subsequently to this, the Company's new registered share capital as of September 30, 2018 is NOK 2,340,380 divided into 46,807,600 shares, each having face value of NOK 0.05.

9. 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 September 30, 2018, Panoro's drawdown on the non-recourse loan had reached its ceiling of USD 12.5 million, additionally with accumulated interest of USD 0.4 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, following First Oil on Dussafu, achieved during the quarter. During the repayment phase, Panoro will still be entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations. First oil production on Dussafu which was achieved during the quarter has triggered the commencement of repayment of the non-recourse loan, and as such the loan has now been reclassified into short-term and long-term liabilities in the reporting quarter.

10. 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 had been higher than anticipated and in combination with the operation accruals have resulted in proportional liabilities of USD 4.6 million as of September 30, 2018, compared to USD 5.7 Million as of June 30, 2018. Such liabilities continue to be current in nature and are expected to be repaid within 12 months. An Aje lifting was scheduled for November, which will provide net proceeds to Panoro in the region of USD 2.5 million; Panoro's share of these proceeds will reduce Aje related payables (which includes operating costs) in the fourth quarter 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. We do not currently anticipate any use of Panoro's cash resources and expect it to be funded from the sale of our share of Aje crude.

11. Acquisition of DNO Tunisia AS

Panoro completed the acquisition of DNO Tunisia AS on July 30, 2018. Following the acquisition Panoro now has interests in two assets, the Sfax Offshore Exploration Permit ("SOEP") and the Ras El Besh Concession, which is within the SOEP area.

Transaction Summary
DNO Tunisia AS holds 3 offshore PSCs: Sfax, Ras El Besh, and Hammamet. Hammamet is in the process of being relinquished with associated costs as previously indicated.

The main terms of the Transaction include:

- Panoro purchased Norwegian holding Company (DNO Tunisia AS) for a nominal USD 1
- Panoro assumed license commitments, entire team, inventory
- DNO contributed funds of approximately USD 8.6 million to DNO Tunisia towards future work programmes and capital commitments
- DNO retained a deferred consideration of USD 1 per barrel up to a maximum of USD 13.2 million, paid through future production of the operated Sfax license
- DNO subscribed for Panoro shares in the Private Placement in a NOK amount equivalent of USD 4.15 million

DNO subscribed for USD 4.15 million (NOK equivalent) in Panoro shares:

- Shares locked up for 6 months
- One year standstill agreement not to go above 9.9% in Panoro
- No Board representation for a 12 month period

Business Combination

	USD 000
Consideration as of July 30, 2018 closing date	-

As per the agreement between Panoro Energy AS and DNO ASA, the sale of shares of DNO Tunsia AS was made to consideration. A deferred consideration of up to USD 13.2 million will be paid to DNO ASA, subject to achieving operational milestones on Sfax Offshore Exploration Permit. Due to uncertainty of achievement of such milestones on the acquisition date, the deferred consideration has not been recognised as an acquisition liability.

Details of assets acquired and liabilities acquired

The provisional fair values of the identifiable assets and liabilities of DNO Tunisia AS as at the date of acquisition are as follows:

ASSETS	**USD 000**
Cash and cash equivalents	8,735
Financial assets	72
Tangible and intangibles assets	234
Inventories	1,470
Total Assets	**10,511**

LIABILITIES	**USD 000**
Trade and other liabilities	602
Licence obligations	9,909
Total liabilities	**10,511**

Net assets acquired with the subsidiary	-

i) From the acquisition date to September 30, 2018, the acquired business contributed a USD 0.8 million loss to the Group's business.
ii) Acquisition related costs included advisory fees which have been recognised in the Group's statement of comprehensive income amounted to USD 0.2 million.
iii) Unfulfilled work obligations on licenses represents operational commitments like, minimum expenditure or operational milestones embedded within the licenses that may materialise into payables if left unfulfilled. All of this liability has been acquired as part of the acquisition of DNO Tunisia AS.

12. Subsequent events

On November 6, 2018 the Company announced that its newly incorporated subsidiary Panoro Tunisia Production AS (the "Buyer") reached an agreement with OMV Exploration & Production GmbH (the "Seller") to acquire 100% of the shares of OMV Tunisia Upstream GmbH (the "Target"). The Target holds a 49% interest in five oil production concessions in Tunisia and 50% of Thyna Petroleum Services ("TPS") which serves as the operating company for the concessions and employs approximately 130 employees. This transformational acquisition adds high quality oil producing assets with existing infrastructure, well managed operations and substantial upside potential. In addition, it further establishes Tunisia as a new core area for the Company and is an important step towards the Company becoming a material, full-cycle African focused E&P independent.

The purchase price to be paid to the Seller is USD 65 million based on an effective date of January 1, 2018, with estimated working capital adjustment of USD 15m in favour of the Company at completion, expected to be on or about December 15, 2018. The net consideration will be financed through a combination of debt and equity financing, and the introduction of a strategic co-investor across the Company's Tunisian business.

Mercuria Energy ("Mercuria"), one of the world's largest independent energy traders is providing an acquisition loan facility of USD 27 million that will amortise over 5 years at an annual interest rate of LIBOR plus 6% per annum. The Company has also secured an additional USD 8m junior loan facility which it might decide to drawdown at a later stage. The junior loan facility is being made available against the issuance of USD 320,000 worth of shares in the Company, issued in conjunction with, and in addition to the shares issued in the Private Placement (as defined below). Mercuria will provide crude oil marketing and oil hedging services as part of this transaction. The Company and Mercuria have signed binding commitment letter for this debt financing subject to documentation and certain customary conditions precedent being fulfilled.

The acquisition is being made by the Company together with a subsidiary of Beender Petroleum Limited ("Beender"), a privately held oil and gas company focused on proven oil fields with upside, which is part of the Beender group of companies, founded and fully controlled by Tunisian energy investor, Mr. Slim Bouricha. The Company and Beender have entered into a strategic agreement whereby they will jointly pursue all Tunisian growth opportunities on a 60/40 basis through a new holding company Sfax Petroleum Corporation AS ("Sfax Petroleum"), which is the holding company of the Buyer and the recently acquired Panoro Tunisia Exploration AS (previously DNO Tunisia AS). Under a share subscription agreement, Beender will subscribe in cash for shares in Sfax Petroleum, on the same terms as the Company, giving it a 40% interest, and will fund its pro-rata share of the Buyer's equity requirement at the completion of the Acquisition, estimated to be USD 11 million. Through its subscription for shares of Sfax Petroleum, Beender will acquire a pro rata share of all benefits and liabilities associated with all of the Company's Tunisian business. In conjunction with the share subscription agreement, the Company and Beender have agreed a shareholder agreement which sets out the basis for the operation and governance of Sfax Petroleum.

The Company announced that it had successfully completed a USD 30 million (equivalent to approximately NOK 250 million) Equity Private Placement with the support of new and existing shareholders. The Private Placement was multiple times covered and the price in the book-building was set at NOK 16.10 per share representing a slight premium to 5 trading-day volume weighted average share price. As a result, 15,580,000 shares will be issued following the Private Placement. The completion of the Private Placement and delivery of the new shares is expected to occur on or about December 7, 2018 and is inter alia conditional upon (i) the approval by an Extraordinary General Meeting in Panoro, expected to be held on November 29, 2018, and (ii) no termination of the share purchase agreement related to the acquisition of OMV Tunisia Upstream GmbH from OMV Exploration & Production GmbH.

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

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