



Panoro Energy

HALF YEAR AND SECOND QUARTER REPORT 2019

22 August 2019

CONTENTS

HIGHLIGHTS AND EVENTS	3
Second quarter 2019 Highlights and Subsequent Events	3
OPERATIONAL UPDATE	4
Tunisia	4
Gabon	5
Nigeria	5
Corporate	6
FINANCIAL INFORMATION	7
Income statement review	7
Statement of financial position review	10
Risk and Uncertainties	12
OUTLOOK	13
The Board of Directors	13
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	14
Condensed Consolidated Statement of Comprehensive Income for the period ended 30 June 2019	14
Condensed Consolidated Statement of Financial Position as at 30 June 2019	15
Condensed Consolidated Statement of Cashflows for the period ended 30 June 2019	16
Condensed Consolidated Statement of Changes in Equity	17
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	18
1 Corporate information	18
2 Basis of preparation	18
3 Segment information	19
4 General and Administrative (G&A) Costs	21
5 Earnings per share	21
6 Licence interests, exploration and evaluation, development and production assets	22
7 Fair Value of Commodity Hedges	23
8 Cash and cash equivalents	23
9 Cash held for bank guarantee	23
10 Share capital	23
11 Loans and borrowings	24
12 BW Energy non-recourse loan	25
13 Decommissioning liability	25
14 OML113 Aje Liabilities	26
15 Income Tax	26
16 Subsequent events	26
RESPONSIBILITY STATEMENT	27
OTHER INFORMATION	28
Financial calendar	28
Glossary and definitions	28
Disclaimer	28

HIGHLIGHTS AND EVENTS

SECOND QUARTER 2019 HIGHLIGHTS AND SUBSEQUENT EVENTS

Highlights

- Gross Revenue for the second quarter 2019 of USD 10.7 million (1H19: USD 30.6 million) and EBITDA of USD 5.1 million (1H19: USD 16.3 million), in line with liftings guidance
- Underlying operating profit before tax ⁽¹⁾ for the second quarter 2019 of USD 1 million (1H19: USD 8.8 million) on an adjusted basis compared to reporting basis net profit before tax of USD 10.5 million (1H19: USD 14 million), largely due to reversal of impairment for Dussafu in the second quarter
- Cash balances, including cash held for bank guarantee related to Sfax Offshore Exploration Permit (SOEP), at USD 25.5 million and gross debt of USD 27.4 million

Tunisia

- Average TPS gross daily production of approximately 3,950 bopd for the quarter, near-term objective of increasing production by 15-20% around the end of Q3 2019
- Targeting gross production of 5,000 bopd by the end of 2019, with additional near-term production opportunities identified
- Planning underway for drilling the Salloum West prospect towards end 2019

Dussafu

- Q2 average gross daily production over 12,000 bopd and continues producing above expectation
- Exploration well spud on the Hibiscus Up-dip prospect in August 2019
- Phase 2 production drilling campaign to start in September

Aje

- Stable oil production at approximately 360 bopd net to Panoro during Q2 2019
- JV partners continue to focus on advancing the Turonian development plan

¹ Non-GAAP Financial Measures

From first quarter 2019, the Group has enhanced its disclosures and introduced the reporting of Underlying Operating Profit/(Loss) before tax, a Non-GAAP Financial Measure. Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful additional measure to help understand underlying operational performance. The definition and details of this Non-GAAP measure can be referred to on page 7 of the second quarter, 2019 report.

OPERATIONAL UPDATE

TUNISIA

In December 2018, the Company entered into a shareholder agreement with Beender Petroleum Tunisia Limited (“Beender”), whereby Panoro and Beender jointly own and control 60% and 40% respectively of Sfax Petroleum Corporation AS (“Sfax Corp”). Sfax Corp, through its subsidiaries holds 100% shares of Panoro Tunisia Production AS (“PTP”) and Panoro Tunisia Exploration AS (“PTE”). As such, all numbers and volume information relating to the Company’s Tunisian operations and transactions represents the Company’s 60% interest, unless otherwise stated.

Sfax Offshore Exploration Permit (“SOEP”): Panoro Energy (Operator, 52.5% interest)

Panoro continues to progress plans to drill the first renewal period commitment well on the Sfax Offshore Exploration Permit. The well, SMW-1, is proposed to test the Salloum West prospect, which is located in a fault block to the west and up-dip of the Salloum structure, an oil discovery drilled and tested by British Gas in 1991.

Panoro is currently working closely with its partner Entreprise Tunisienne D’Activites Petrolieres (“ETAP”) regarding the technical programme and the formalisation of drilling plans including the well planning, location and approvals for drilling. The well is expected to spud in December 2019.

The primary target of the SMW-1 well is the Bireno formation which produces from the neighbouring El Ain and Guebiba fields in the TPS assets. The well is planned to test the Bireno at approximately 3,200 vertical metres depth, where Panoro has identified, on 2D and 3D seismic data, what it believes to be an independent block located west of the Salloum-1 discovery.

The objective of the SMW-1 well is to prove up additional resources in the vicinity of the Salloum-1 well and to aggregate them in order to develop Salloum through a tie-in to existing adjacent oil infrastructure.

Thyna Petroleum Services S.A. (“TPS”) Assets: Panoro Energy (29.4% interest)

Production from the TPS assets during the second quarter was equivalent to an average rate of 3,953 bopd gross. Towards the end of the period the Guebiba-02 well was shut-in for a workover.

Plans for a re-start of production from the El Ain field, located in the Gremda concession, continued during the quarter and the two existing wells on the field will be equipped with new downhole pumps. Plans are now in place to enhance production at the Guebiba field where a sidetrack and two additional workovers are being considered alongside an enhanced water injection program.

By year end 2019 we target gross production from the TPS assets of 5,000 bopd with production of approximately 4,500 bopd targeted around end of the third quarter.

As previously noted, during Q2 2019, there were only two smaller domestic liftings of approximately 28,500 bbls net to Panoro. A lifting of approximately 82,000 bbls net to Panoro was completed in July. The next international lifting will be during 4Q 2019, although smaller domestic sales are expected during the third quarter.

Hammamet Offshore Exploration Permit: Medco (Operator), Panoro Energy (27.6% interest)

The Hammamet Offshore Exploration Permit expired in September 2018 and is in the process of being formally relinquished with associated costs of approximately USD 2 million as previously indicated (USD 1.2 million net to Panoro).

GABON

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

Production from the Tortue field continued from the DTM-2H and DTM-3H wells during the quarter at an average gross rate of 12,101 bopd and continues producing above expectation post period-end. This compares to an average gross rate of 12,584 bopd in first quarter, 2019. One lifting of approximately 675,000 barrels was completed during the quarter in May. An additional lifting of approximately 650,000 barrels was completed in July 2019. A further lifting for partners is expected during 4Q 2019.

The Phase 2 of development at the Tortue field, consisting of an additional four subsea horizontal oil development wells, progressed to plan during the quarter. The drilling of these wells will start in the coming months and conclude in early 2020. We expect production from the first two of the new wells to come online in Q1 2020, followed by the second two wells in Q2 2020. The Operator estimates the total Tortue production at that time will be in excess of 20,000 bopd.

Prior to the Phase 2 development drilling, an exploration well was spud on the Hibiscus Up-dip prospect in August 2019. The Hibiscus Up-dip well (DHIBM-1) is located about 56 km offshore and 19 km to the WNW of the Tortue field in 116 m water depth. The well is planned as a vertical well to test the Gamba and Dentale reservoirs. The DHIBM-1 well is in a location approximately 1.5 km southwest of the HIBM-1 well drilled by Arco in 1991 based on 2D seismic data and found good quality Gamba reservoir with live oil shows. The new well is positioned to intersect the Gamba at what is believed, based on newer 3D seismic data, to be an up-dip position from the HIBM-1.

Following the development drilling a further exploration well is planned in early 2020. Candidate locations for this well include, amongst others, Prospect B to the south which is a large Dentale closure and the Espadon prospect to the north of the Ruche NE discovery which has closure at Gamba and Dentale levels. The JV partners are currently re-processing the 3D seismic data covering the Dussafu block and will use this new data to help select the prospect location and also better define the Dussafu Phase 3 development. Additional exploration drilling may be carried out in 2020 depending on the results of the re-processing and Phase 2 drilling.

Detailed planning for Phase 3 at Dussafu progressed during the quarter. Dussafu Phase 3 will consist of development of the Ruche and Ruche NE fields. The development will likely consist of a wellhead platform tied back to the BW Adolo FPSO stationed at Tortue. We expect to take a final investment decision on the Phase 3 project in Q4 of 2019.

As previously indicated, Tullow has confirmed their intent to exercise the 10% back-in right into the Dussafu license from first oil date as stipulated in the production sharing contract ("PSC"). Discussions are progressing towards finalisation of documentation. Tullow will be required to pay a portion of past costs and, following completion of this back-in, Panoro's interest in the Dussafu Marin license will be 7.5%.

NIGERIA

OML 113 Aje field: Yinka Folawiyo Petroleum (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 362 bopd net to Panoro during the quarter, and this compares to 383 bopd net in Q1 2019. 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 crude lifting was carried out in June 2019 and the next lifting is anticipated for Q4 2019. The Aje field was shut in for three weeks during July 2019 for mandatory regulatory inspections. 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 progress the next phase of activity at the field based around the Turonian gas Field Development Plan ("FDP").

As of 30 June 2019, the Group's total debt was USD 27.4 million and was compliant with all covenants. The Group closed this quarter with a cash position of USD 25.5 million, including USD 10 million held for the SOEP guarantee. The first instalment of the Mercuria Senior Loan was made in April 2019.

Q2 2019 oil and gas revenues were USD 10.7 million compared to USD 19.9 million for Q1 2019. Q1 2019 was an exceptionally strong quarter in terms of sales revenue due to a large number of liftings across all of the Group's assets. As indicated in the 1Q19 report, lifting scheduling across the various production assets will vary and as such, due to revenue recognition accounting standards, uneven quarterly financial results for sales revenues are to be expected despite stable operational performance. For the second half of 2019, we expect 5-6 liftings to be concluded, supplemented by smaller domestic sales in Tunisia.

In Brazil, as previously updated, termination agreements for the surrender of Coral and Cavalho Marinho licenses 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

As noted on page 4, following the shareholder agreement with Beender, Panoro's investment in Sfax Corp is 60%. The two major companies under Sfax Corp structure are PTP and PTE. As such, only 60% of the account balances and transactions of the Tunisian acquisitions have been included on a line by line basis in Panoro's financial statements from their respective completion dates by proportionally consolidating the results and balances of Sfax Corp and its subsidiaries.

From Q1 2019, the Group has enhanced its disclosures and introduced the reporting of Underlying Operating Profit/(Loss) before tax, a Non-GAAP Financial Measure. Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful additional measure to help understand underlying operational performance. The foregoing analysis has also been performed including, on an adjusted basis, the Underlying Operating Profit/(Loss) before tax. A reconciliation with adjustments to arrive at the Underlying Operating Profit/(Loss) before tax is included in the table below.

Q2 2018	Q1 2019	Q2 2019		YTD 2019	YTD 2018
<i>(Unaudited)</i>			<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	
(331)	3,528	10,553	Net income/(loss) before tax	14,081	(2,601)
46	166	149	Share based payments	315	97
-	-	91	Non-recurring costs	91	95
-	-	(8,145)	Impairment / (reversal) of impairment for Oil and gas assets	(8,145)	-
-	4,087	(1,627)	Unrealised (gain)/loss on commodity hedges	2,460	-
(285)	7,781	1,021	Underlying Operating Profit/(Loss) before tax	8,802	(2,409)

Underlying Operating Profit/(Loss) before tax is a supplemental non-GAAP financial measures used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Underlying Operating Profit/(loss) before tax as Net income (loss) before tax adjusted for (i) Share based payment charges, (ii) unrealized (gain) loss on commodity hedges (realized losses are deducted and realized gains are added back), (iii) (gain) loss on sale of oil and gas properties, (iv) impairments write-off's and reversals, and (v) similar other material items which management believes affect the comparability of operating results. We believe that Underlying Operating Profit/(Loss) before tax and other similar measures are useful to investors because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the oil and gas sector and will provide investors with a useful tool for assessing the comparability between periods, among securities analysts, as well as company by company. Because EBITDA and Underlying Operating Profit/(Loss) before tax excludes some, but not all, items that affect net income, these measures as presented by us may not be comparable to similarly titled measures of other companies.

Second quarter 2019 versus first quarter 2019

Panoro Energy reported EBITDA of USD 5.1 million for the second quarter of 2019, compared to USD 11.3 million in the first quarter of 2019. Higher EBITDA in the first quarter was primarily driven by higher oil sales revenues due to multiple liftings across the Group's assets. It should be noted that lifting scheduling across the various production assets will vary and as such due to revenue recognition accounting standards, uneven financial results are to be expected quarter to quarter in spite of normal operational performance.

Revenue in the second quarter of 2019 was USD 10.7 million compared to USD 19.9 million in the first quarter of 2019. This includes USD 9.2 million of oil sales revenue (first quarter 2019: USD 17.5 million) and USD 1.5 million of other revenue (first quarter 2019: USD 2.4 million). Other revenue represents the gross-up of the State profit oil allocation under the terms of the Dussafu PSC, with a corresponding amount shown as Income tax for both periods presented. This presentation is consistent with oil and gas reporting standards.

The lower sales revenue is a direct result of lower sales volumes comprising of 135,268 barrels (first quarter 2019: 283,360 barrels). Of the total oil sales revenue of USD 9.2 million for the second quarter, USD 4.4 million was from one lifting from Dussafu (first quarter 2019: USD 7.3 million from two liftings) and USD 3 million was generated through one lifting from the Aje

field in Nigeria (first quarter 2019: USD 3.3 million through a single lifting). Total oil sales revenue recognised in the second quarter of 2019 for the Group's Tunisian assets was USD 1.8 million comprising two domestic liftings by the state on behalf of Panoro compared to USD 6.9 million in the first quarter of 2019, comprising one international lifting of USD 5.5 million and two domestic liftings by the state totalling USD 1.4 million.

Costs attributed to operations were USD 3.8 million for Aje and Dussafu in the second quarter of 2019 compared to USD 5.4 million in the previous quarter. Costs attributed to the operations of the Groups' Tunisian assets in the second quarter, 2019 were USD 0.7 million compared to USD 1.7 million in the previous quarter.

General and Administrative (G&A) costs were USD 1 million for the current quarter, compared to USD 1.4 million for the previous quarter. The slight decrease in G&A is primarily due to efficiencies in operations following integration of new staff members in Tunisia. Non-recurring transaction costs in the second quarter 2019 of USD 91 thousand relate to costs for internal restructuring to streamline the group structure. There were no non-recurring costs incurred during the first quarter of 2019.

Exploration related costs were comparable between the two quarters of 2019 to date, decreasing slightly to USD 112 thousand from USD 114 thousand in the previous quarter.

Depreciation charge increased slightly from USD 2.4 million in the first quarter of 2019 to USD 2.5 million in the second quarter.

The impairment reversal of USD 8.1 million in the second quarter, 2019 relates to the Group's interest in the Dussafu permit, offshore Gabon. The impairment reversal is a result of positive revision in economic evaluations. These include an independent reserves upgrade, which attribute higher recoverable amounts on both 1P and 2P profiles and the sanction of Phase II of the development. There was no impairment charge or reversal in the first quarter, 2019.

EBIT in the second quarter of 2019 is thus a positive of USD 10.5 million compared to positive USD 8.7 million in the first quarter, 2019.

Profit before tax for the second quarter, 2019 was USD 10.5 million compared to a profit before tax in the previous quarter of USD 3.5 million.

Underlying Operating Profit before tax for the first quarter, 2019 was USD 1 million compared to an Underlying Operating Profit before tax of USD 7.8 million for the first quarter, 2019.

The net profit after tax for the second quarter, 2019 is USD 8.1 million primarily due to the USD 8.1 million impairment reversal for Dussafu and the non-cash unrealised gain on fair value of commodity hedges of USD 1.6 million. This compares to a net loss after tax of USD 1.5 million in the first quarter, 2019 primarily due to non-cash unrealised losses on fair value of commodity hedges of USD 4.1 million.

Net financial items amounted to an expense of USD 5.2 million in the first quarter, 2019 compared to positive USD 34 thousand in the second quarter. The main driver for the decrease was the unrealised gain on commodity hedges in the second quarter of USD 1.6 million, which offset the effects of the interest relating to the Dussafu non-recourse loan, which was expensed following commencement of Phase 2 and the unwinding of the discount on decommissioning provisions on all assets.

Corporation taxes decreased by USD 2.5 million from USD 5 million for the first quarter, 2019 to USD 2.5 million for the second quarter, 2019. The tax charge in the second quarter includes USD 1.5 million representing State profit oil under the terms of the Dussafu PSC, compared to USD 2.4 million in the first quarter, 2019.

Year to date 2019 versus year to date 2018

Panoro Energy reported positive EBITDA of USD 16.3 million for the first half of 2019, compared to negative USD 769 thousand in the half of 2018. First quarter 2019 was the first period where the Group consolidated operational results of its Tunisian producing assets acquired in December 2018. Production commenced from Dussafu in offshore Gabon during the third quarter, 2018. Therefore, the first half of 2018 only included production from the Group's interest in the Aje field in Nigeria whereas the first half of 2019 includes production from Aje, Dussafu and TPS assets.

Oil revenues for the first half of 2019 are USD 30.6 million compared to only USD 4.6 million in the first six months of 2018. This includes USD 26.7 million of oil sales revenue (first half 2018: USD 4.6 million) and USD 3.9 million of other revenue (first half 2018: USD nil). Other revenue represents the gross-up of the State profit oil allocation under the terms of the Dussafu PSC, with a corresponding amount shown as Income tax for both periods presented. This presentation is consistent with oil and gas reporting standards.

The first six months of 2019 have included three liftings from Dussafu, generating USD 11.7 million in revenues and two liftings from the Aje field in Nigeria generating USD 6.3 million in revenues. Total oil sales revenue recognised for the Group's Tunisian assets during 2019 to date is USD 8.7 million comprising one international lifting of USD 5.5 million and four domestic liftings by the state on behalf of Panoro contributing USD 3.2 million. Compared to this, revenue for the first half of 2018 comprised solely of one lifting from Aje.

Costs attributed to operations of the Group for 2019 year to date are USD 11.6 million compared to USD 3 million for the first six months of 2018. This increase reflects the inclusion of the Tunisian operations from 1 January 2019, following completion of the acquisition in December 2018. Further, there were no operating costs recognised in first the six months of 2018 in relation to Dussafu as there were no sales. Production commenced from Dussafu in September 2018.

G&A costs increased from USD 2.1 million in the first half of 2018 to USD 2.4 million for the first six months in 2019. The increase reflects the consolidation of the Tunisian operations and addition of new staff members in the Group to cater for the increase in operations.

Exploration related costs increased from USD 74 thousand for the first six months of 2018 to USD 226 thousand in the current period. The increase primarily relates to the Group's Tunisian activities.

Depreciation charge for the first six months of 2019 is USD 4.9 million compared to USD 1.5 million in first six months of 2018, an increase of USD 3.4 million. This reflects the inclusion of deprecation charges for all assets in Tunisia, Nigeria and Gabon in the first six months of 2019, compared to only Aje depreciation in the same period in 2018.

EBIT in the first half of 2019 is thus a positive of USD 19.2 million compared to negative USD 2.4 million in the same period in 2018.

Net financial items amount to an expense of USD 5.2 million in the first half of 2019 compared to USD 248 thousand in the first six months of 2018, an increase of USD 5 million. The main driver of this increase is the impact of the realised and unrealised losses on commodity hedging of USD 3.1 million. Additionally, USD 0.7 million of interest relating the Dussafu non-recourse loan now expensed following commencement of Phase 2. The interest costs relating to this loan were capitalised during 2018. Loan interest for the Mercuria Senior Secured loan in the first six months of 2019 is USD 0.7 million. The Mercuria facility was not in place in the corresponding period in 2018. Also included in net financial items are the charges for unwinding of discount on decommissioning provisions for all assets of USD 0.4 million compared to USD 0.1 million in first half of 2018.

Profit before tax for the first six months of 2019 was USD 14.1 million compared to a loss of USD 2.6 million for the first six months of 2018. Corporation taxes of USD 7.5 million in the first half of 2019 compared to USD nil for first quarter, 2018. The tax charge for the first half of 2019 includes USD 3.9 million representing State profit oil under the terms of the Dussafu PSC and USD 3.6 million for taxes on profits for the Group's Tunisian Operations.

Net profit after tax for the period was therefore USD 6.6 million for the first half of 2019 compared to a net loss after tax of USD 2.6 million for first half of 2018.

STATEMENT OF FINANCIAL POSITION REVIEW

As noted on page 4, following the shareholder agreement with Beender, Panoro's investment in Sfax Corp is now 60%. The two major companies under Sfax Corp structure are PTP and PTE. As such, only 60% of the account balances and transactions of the Tunisian acquisitions have been included on a line by line basis in Panoro's financial statements from their respective completion dates by proportionally consolidating the results and balances of Sfax Corp and its subsidiaries.

Movements to 30 June 2019 from 31 March 2019

Movements in the Group statement of financial position during the second quarter of 2019 were a combination of the following:

Non-current assets

Non-current assets amount to USD 95.9 million at 30 June 2019, an increase of 6.2 million from the balance at 31 March 2019 of USD 89.7 million. Capital additions to the Group's oil and gas assets in the second quarter, 2019 are USD 0.5 million, which are offset by depreciation on these assets of USD 2.4 million. In addition, there is the impact of an impairment reversal of USD 8.1 million in the quarter relating to the Group's interest in the Dussafu permit, offshore Gabon. The impairment reversal is a result of positive revision in economic evaluations. These include an independent reserves upgrade, which attribute higher recoverable amounts on both 1P and 2P profiles and the sanction of Phase II of the development. Furthermore, and as a result of adoption of IFRS 16 Leases from 1 January 2019, the Group has included USD 0.2 million as "Right-of-use" assets within Property, furniture, fixtures and equipment. These relate to the office lease for the Group's London office, previously not recognised on the balance sheet and treated as an operating lease.

Current asset

Current assets amount to USD 38.2 million as of 30 June 2019, compared to USD 36.9 million at 31 March 2019.

Crude inventory increased from USD 1.1 million at 31 March 2019 to USD 1.6 million at 30 June 2019, owing to lower sale volumes in the quarter. Trade and other receivables at 30 June 2019 are USD 6.5 million, a decrease of USD 6.8 million from USD 13.3 million at 31 March 2019, as a result of the collection of revenue from multiple oil liftings across the Group's assets. The Group is committed to a drilling obligation of one well on SOEP in Tunisia. In support of this obligation, the Group has issued a bank guarantee against which a deposit of USD 10 million (net to Panoro) was placed in January 2019 and is included within current assets at 30 June 2019.

Consequently, cash and cash equivalents stood at USD 15.5 million, compared to USD 8.1 million at 31 March 2019 (both periods excluding USD 10 million held for the SOEP guarantee). The increase in cash and cash equivalents is mainly due to the collection of revenue from the first quarter's liftings and an increase in the Senior Secured Loan facility with Mercuria of USD 2.5 million. The first instalment of the Mercuria Senior Loan was also made in April 2019.

Equity

Equity as at 30 June 2019 amounts to USD 53.2 million compared to USD 45 million at the end of March 2019.

Non-current liabilities

Total non-current liabilities are USD 54.2 million as at 30 June 2019 and these compare to the total non-current liabilities at 31 March 2019 of USD 57.8 million, a decrease of USD 3.6 million.

During the quarter, the Group and Mercuria mutually agreed to make minor adjustments to the Facility terms, resulting in the Facility amount increasing by USD 2.5 million (USD 4.1 million gross) to USD 18 million (Note 11). Decommissioning liabilities remained largely unchanged other than the effect of unwinding of the discount across all assets. Also included in the non-current liabilities at 30 June 2019 is the non-current portion of fair value of hedge instruments amounting to USD 0.8 million (31 March 2019: USD 1.8 million). There was a decrease of USD 2.6 million in the non-current portion of the non-recourse loan from BW Energy as a result of Dussafu liftings and a reclassification between non-current and current of USD 2.1 million. Deferred tax liability has increased by USD 0.4 million in the quarter and relates to the temporary timing differences on the treatment of depreciation and decommissioning under tax rules in Tunisia.

Current liabilities

Current liabilities amounted to USD 26.6 million at 30 June 2019, compared to USD 23.9 million at the end of March 2019, an increase of USD 2.7 million.

USD 5.4 million reflects the current portion of the Dussafu non-recourse loan following a reclassification from non-current to current (31 March 2019: USD 3.3 million). USD 3.1 million is the current portion of the Mercuria Senior Loan facility (31 March 2019: USD 2.9 million) and USD 8.9 million of corporation tax liabilities (31 March 2019: USD 8.3 million). Corporation tax liabilities relate primarily to taxes due on income from TPS Assets and USD 5.6 million of the balance at 30 June 2019 was settled post period-end in July 2019. Also included in the current liabilities at 30 June 2019 is the current portion of fair value of hedge instruments amounting to USD 0.9 million (31 March 2019: USD 1.5 million).

Accruals and other payable amounted to USD 6.1 million at 30 June 2019, an increase of USD 0.7 million compared to the balance of USD 5.4 million at 31 March 2019.

Since the settlement of the Aje dispute (as described in Q4 2017 report), 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 and the inclusion of the cost of the OML 113 20-year license renewal have resulted in proportional liabilities of USD 3.5 million as at 30 June 2019 compared to USD 4.6 million as of 31 March 2019. The liability continues to reduce through the allocation of excess funds from Aje liftings. Such liabilities continue to be current in nature and are expected to be repaid within 12 months.

Movements to 30 June 2019 from 31 December 2018

Movements in the Group statement of financial position during the first half of 2019 were a combination of the following:

Non-current assets

Non-current assets amount to USD 95.9 million at 30 June 2019, an increase of 6.5 million from the balance at 31 December 2018 of USD 89.3 million. Capital additions to the Group's oil and gas assets in the first half of 2019 are USD 3.4 million, which are offset by depreciation on these assets of USD 4.7 million. In addition, as a result of adoption of IFRS 16 Leases from 1 January 2019, the Group has included USD 0.2 million as "Right-of-use" assets within Property, furniture, fixtures and equipment. These relate to the office lease for the Group's London office, previously not recognised on the balance sheet and treated as an operating lease. In addition, there is the impact of an impairment reversal of USD 8.1 million in the period relating to the Group's interest in the Dussafu permit, offshore Gabon. The impairment reversal is a result of positive revision in economic evaluations. These include an independent reserves upgrade, which attribute higher recoverable amounts on both 1P and 2P profiles and the sanction of Phase II of the development.

Current asset

Current assets amount to USD 38.2 million as of 30 June 2019, compared to USD 35.7 million at 31 December 2018.

Crude inventory decreased from USD 2.3 million at 31 December 2018 to USD 1.6 million at 30 June 2019. The current portion of the asset representing fair value of hedges as at 31 December 2018 was USD 364 thousand; the fair value of these instruments at 30 June 2019 is a liability position. Trade and other receivables at 30 June 2019 are USD 6.5 million, an increase of USD 0.9 million from USD 5.6 million at 31 December 2018. The Group is committed to a drilling obligation of one well on SOEP in Tunisia. In support of this obligation, the Group has issued a bank guarantee against which a deposit of USD 10 million (net to Panoro) was placed in January 2019 and is included within current assets at 30 June 2019. There was no corresponding balance at 31 December 2018. USD 3.1 million is the current portion of the Mercuria Senior Loan facility (31 December 2018: USD 2.6 million).

Consequently, cash and cash equivalents stood at USD 15.5 million compared to USD 23.4 million at 31 December 2018. The decline in cash and cash equivalents is mainly due to USD 10 million of cash held under current assets earmarked for SOEP drilling obligation guarantee. Furthermore, the first instalment of the Mercuria Senior Loan was also repaid in April 2019.

Equity

Equity as at 30 June 2019 amounts to USD 53.2 million compared to USD 46.3 million at the end of December 2018.

Non-current liabilities

Total non-current liabilities are USD 54.2 million as at 30 June 2019 and these compare to the total non-current liabilities at 31 December 2018 of USD 55.9 million, a decrease of USD 1.7 million.

Decommissioning liabilities increased by USD 1.1 million as a result of a change in estimates used to calculate these provisions. (See Note 13). Also included in the non-current liabilities at 30 June 2019 is the non-current portion of fair value of hedge instruments amounting to USD 0.8 million (31 December 2018: USD nil). Additionally, there was a decrease of USD 5.7 million in

the non-current portion of the non-recourse loan from BW Energy as a result of Dussafu liftings and a reclassification between non-current and current of USD 2.1 million.

Current liabilities

Current liabilities amounted to USD 26.6 million at 30 June 2019, compared to USD 22.8 million at the end of December 2018, an increase of USD 3.8 million.

USD 5.4 million reflects the current portion of the Dussafu non-recourse loan (31 December 2018: USD 3.8 million), USD 3.1 million is the current portion of the Mercuria Senior Loan facility (31 December 2018: USD 2.6 million) and USD 8.9 million of corporation tax liabilities (31 December 2018: USD 5.8 million). Corporation tax liabilities relate primarily to taxes due on income from TPS Assets and USD 5.6 million of the balance at 30 June 2019 was settled post period-end in July 2019.

Accruals and other payable amounted to USD 6.1 million at 30 June 2019, a decrease of USD 1.5 million.

Since the settlement of the Aje dispute (as described in Q4 2017 report), 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 and the inclusion of the cost of the OML 113 20-year license renewal have resulted in proportional liabilities of USD 3.5 million as at 30 June 2019 compared to USD 5.8 million as of 31 December 2018. The liability continues to reduce through the allocation of excess funds from Aje liftings. Such liabilities continue to be current in nature and are expected to be repaid within 12 months.

RISK AND UNCERTAINTIES

Investment in Panoro Energy ASA

Investment in Panoro Energy involves risks and uncertainties as described in Company's Annual Report for 2018.

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

The company is exposed to various forms of financial risks, including, but not limited to, fluctuation in oil prices, exchange rates, interest rates and capital requirements; these are described in the Company's 2018 Annual Report and Accounts, and in Note 2 to the half year financial statements. The Company is also exposed to uncertainties relating to the international capital markets and access to capital and this may influence the speed with which development projects can be accomplished.

Operational risks and uncertainties

The development of oil and gas fields in which the Company is involved is associated with technical risk, reservoir performance, alignment in the consortiums with regards to development plans and on obtaining the necessary licenses and approvals from the authorities. Such operations might occasionally lead to cost overruns and production disruptions, as well as delays compared to the plans laid out by the operator of these fields. Furthermore, the Company has limited influence on operational risk related to exploration success and development of industry cost.

OUTLOOK

- At least 7 new wells to be drilled in the next 12 months, including three exploration wells
- Dussafu Phase 2 exploration drilling commenced in August 2019
- Identify and implement production enhancing activities on the TPS Assets, including El Ain re-start and Guebiba workovers and sidetrack
- Continue to consider forward path for Aje
- Continue to review growth opportunities

THE BOARD OF DIRECTORS

JULIEN BALKANY	TORSTEIN SANNESS	GARRETT SODEN
Chairman of the Board	Deputy Chairman of the Board	Non-Executive Director
ALEXANDRA HERGER	HILDE ÅDLAND	
Non-Executive Director	Non-Executive Director	

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

Q2 2018	Q1 2019	Q2 2019		Note	YTD 2019	YTD 2018
<i>(Unaudited)</i>			<i>Amounts in USD 000</i>		<i>(Unaudited)</i>	
CONTINUING OPERATIONS						
4,625	17,490	9,223	Oil revenue		26,713	4,625
-	2,442	1,479	Other revenue		3,921	-
4,625	19,932	10,702	Total revenues		30,634	4,625
(3,072)	(7,143)	(4,447)	Operating costs		(11,590)	(3,072)
(31)	(114)	(112)	Exploration related costs		(226)	(74)
(1,069)	(1,402)	(980)	General and administrative costs	4	(2,382)	(2,153)
-	-	(91)	Non-recurring costs	4	(91)	(95)
453	11,273	5,072	EBITDA		16,345	(769)
(615)	(2,390)	(2,549)	Depreciation, depletion and amortisation		(4,939)	(1,487)
-	-	8,145	(Impairment) / reversal of impairment for Oil and gas assets	6	8,145	-
(46)	(166)	(149)	Share based payments		(315)	(97)
(208)	8,717	10,519	EBIT - Operating income/(loss)		19,236	(2,353)
(84)	(951)	(645)	Interest costs net of income		(1,596)	(167)
-	(4,087)	1,627	Unrealised gain/(loss) on commodity hedges	7	(2,460)	-
-	(96)	(585)	Realised gain/(loss) on commodity hedges		(681)	-
(36)	(272)	(278)	Other financial costs net of income		(550)	(70)
(3)	217	(85)	Net foreign exchange gain / (loss)		132	(11)
(331)	3,528	10,553	Net income/(loss) before tax		14,081	(2,601)
-	(5,051)	(2,454)	Income tax benefit/(expense)	15	(7,505)	-
(331)	(1,523)	8,099	Net income/(loss) for the period		6,576	(2,601)
-	-	-	Exchange differences arising from translation of foreign operations		-	-
-	-	-	Other comprehensive income/(loss) for the period (net of tax)		-	(3)
(331)	(1,523)	8,099	Total comprehensive income/(loss) for the period (net of tax)		6,576	(2,604)
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:						
(331)	(1,523)	8,099	Equity holders of the parent		6,576	(2,601)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:						
(331)	(1,523)	8,099	Equity holders of the parent		6,576	(2,604)
EARNINGS PER SHARE						
(0.01)	(0.02)	0.13	Basic EPS on profit for the period attributable to equity holders of the parent (USD)	5	0.11	(0.06)
(0.01)	(0.02)	0.13	Diluted EPS on profit for the period attributable to equity holders of the parent (USD)	5	0.10	(0.06)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Amounts in USD 000		30 June 2019	31 March 2019	31 December 2018
		(Unaudited)		(Audited)
Licenses and exploration assets	6	23,636	15,344	15,197
Production rights	6	29,938	30,522	31,082
Fair value of commodity hedges	7	-	-	392
Investment in associates and joint ventures		38	38	38
Production assets and equipment	6	38,885	42,646	41,612
Development assets	6	2,858	608	632
Property, furniture, fixtures and office equipment		389	350	134
Other non-current assets		126	238	245
Total Non-current assets		95,870	89,746	89,332
Crude Oil Inventory		1,641	1,083	2,255
Materials Inventory		4,417	4,360	4,086
Trade and other receivables		6,537	13,290	5,577
Fair value of commodity hedges - current portion	7	-	-	364
Deferred tax asset		-	34	-
Cash and cash equivalents	8	15,526	8,143	23,367
Cash held for Bank guarantee	9	9,960	9,960	-
Restricted cash		76	73	76
Total current assets		38,157	36,943	35,725
Total Assets		134,027	126,689	125,057
Share capital	10	423	423	423
Other equity		52,779	44,532	45,889
Total Equity attributable to equity holders of the parent		53,202	44,955	46,312
Decommissioning liability	13	21,868	21,708	20,739
Senior Secured Loan	11	14,756	13,230	13,191
BW Energy Non-Recourse Loan	12	3,666	8,350	9,392
Licence Obligations		4,726	4,726	4,726
Fair value of commodity hedges	7	822	1,837	-
Other non-current liabilities		7,877	7,877	7,877
Deferred tax liabilities		510	62	-
Total Non-current liabilities		54,225	57,790	55,925
Accounts payable, accruals and other liabilities		6,077	5,398	7,551
Senior Secured Loan - current portion	11	3,053	2,863	2,605
BW Energy Non-Recourse Loan - current portion	12	5,423	3,326	3,751
Licence Obligations - current portion		1,166	1,166	1,166
Fair value of commodity hedges - current portion	7	882	1,494	-
Other current liabilities		1,073	1,445	1,943
Corporation tax liability	15	8,926	8,252	5,804
Total current liabilities		26,600	23,944	22,820
Total Liabilities		80,825	81,734	78,745
Total Equity and Liabilities		134,027	126,689	125,057

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 30 JUNE 2019

Q2 2018	Q1 2019	Q2 2019		Note	YTD 2019	YTD 2018
<i>(Unaudited)</i>			<i>Amounts in USD 000</i>		<i>(Unaudited)</i>	
CASH FLOW FROM OPERATING ACTIVITIES						
(331)	3,528	10,553	Net income/(loss) for the period before tax		14,081	(2,601)
ADJUSTED FOR:						
615	2,390	2,549	Depreciation		4,939	1,487
31	114	112	Exploration related costs and Operator G&A		226	74
-	-	(8,145)	Impairment and asset write-off / (impairment reversal)		(8,145)	-
-	4,183	(1,042)	Loss/(gain) on commodity hedges		3,141	-
120	1,223	923	Net finance costs		2,146	237
46	166	149	Share-based payments		315	97
(2)	(217)	85	Foreign exchange loss/(gain)		(132)	11
(2,810)	(2,879)	606	Increase/(decrease) in trade and other payables		(2,273)	(549)
95	(7,706)	6,865	(Increase)/decrease in trade and other receivables		(841)	(74)
1,086	898	(615)	(Increase)/decrease in inventories		283	(998)
(17)	(2,449)	(1,424)	Taxes paid	15	(3,873)	(36)
(1,167)	(749)	10,616	Net cash (out)/inflow from operations		9,867	(2,352)
CASH FLOW FROM INVESTING ACTIVITIES						
-	(510)	-	Cash outflow relating to acquisitions		(510)	-
-	-	-	Net cash acquired at acquisitions		-	-
(6,196)	(2,169)	(1,084)	Investment in exploration, production and other assets	6	(3,253)	(7,722)
6,196	-	-	Increase/(decrease) in non-recourse loan		-	7,722
-	(2,679)	(1,084)	Net cash (out)/inflow from investing activities		(3,763)	-
CASH FLOW FROM FINANCING ACTIVITIES						
-	-	2,460	Gross proceeds from loans and borrowings		2,460	-
-	(1,684)	(2,789)	Repayment of BW Energy non-recourse loan	12	(4,473)	-
-	-	(660)	Repayment of Senior Secured loan	11	(660)	-
-	(96)	(585)	Realised gain/(loss) on commodity hedges		(681)	-
-	(66)	(565)	Borrowing costs, including arrangement fees		(631)	-
15	7	(7)	Financial income, net of charges paid		-	19
-	(9,960)	-	Cash held for Bank Guarantee	9	(9,960)	-
1,500	3	(3)	Movement in restricted cash balance		-	1,500
1,515	(11,796)	(2,149)	Net cash (out)/inflow from financing activities		(13,945)	1,519
-	-	-	Effect of foreign currency translation adjustment on cash balances		-	(3)
348	(15,224)	7,383	Change in cash and cash equivalents during the period		(7,841)	(836)
5,133	23,367	8,143	Cash and cash equivalents at the beginning of the period		23,367	6,317
5,481	8,143	15,526	Cash and cash equivalents at the end of the period		15,526	5,481

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 six months ended

30 June 2019

Amounts in USD 000

	Issued capital	Share premium	Treasury Shares	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2019 - (Audited)	423	333,093	-	122,078	(365,873)	(37,647)	(5,762)	46,312
Net income/(loss) for the period	-	-	-	-	(1,523)	-	-	(1,523)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(1,523)	-	-	(1,523)
Employee share options charge	-	-	-	166	-	-	-	166
At 31 March 2019 (unaudited)	423	333,093	-	122,244	(367,396)	(37,647)	(5,762)	44,955
Net income/(loss) for the period	-	-	-	-	8,099	-	-	8,099
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	8,099	-	-	8,099
Employee share options charge	-	-	-	149	-	-	-	149
At 30 June 2019 - (Unaudited)	423	333,093	-	122,393	(359,297)	(37,647)	(5,762)	53,202

Attributable to equity holders of the parent

For the six months ended

30 June 2018

Amounts in USD 000

	Issued capital	Share premium	Treasury Shares	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2018 - (Audited)	299	297,490	(503)	122,206	(358,766)	(37,647)	(5,758)	17,320
Net income/(loss) for the period	-	-	-	-	(2,270)	-	-	(2,270)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(2,270)	-	-	(2,270)
Employee share options charge	-	-	-	52	-	-	-	52
At 31 March 2018 (unaudited)	299	297,490	(503)	122,258	(361,036)	(37,647)	(5,758)	15,102
Net income/(loss) for the period	-	-	-	-	(331)	-	-	(331)
Other comprehensive income/(loss)	-	-	-	-	-	-	(3)	(3)
Total comprehensive income/(loss)	-	-	-	-	(331)	-	(3)	(334)
Employee share options charge	-	-	-	46	-	-	-	46
At 30 June 2018 - (Unaudited)	299	297,490	(503)	122,304	(361,367)	(37,647)	(5,761)	14,814

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 28 April 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 Advokatfirmaet Schjødt AS, Ruseløkkveien 14 0251 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 30 June 2019 were authorised for issue by the Board of Directors on 21 August 2019.

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 2018 Annual Report and the Company's Prospectus, published in December 2018. A copy of the 2018 Annual Report and the listing prospectus are available on the Company's website 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.

Effective 1 January 2019, the Group has reassessed the financial statement disclosures for its discontinued operations in Brazil, which have become immaterial. As a result, from Q1 2019, the results of Brazilian operations are included within the General and Administrative (G&A) costs within continuing operations. For clarity and comparability of the financial statements, the comparative periods presented have also been reclassified. Consequently, the amounts reclassified to G&A costs for the periods presented is as follows: Q2 2019: USD 35 thousand, Q1 2019: USD 39 thousand and Q2 2018: USD 45 thousand.

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 2018 Annual Report.

The Group had cash balances of USD 25.5 million, including cash held for bank guarantee for SOEP as of 30 June 2019 and debt of USD 27.4 million. In addition to Dussafu capital expenditure, the Group is committed to a drilling obligation of one well on SOEP in Tunisia. In support of this obligation, the Company's 60% owned subsidiary, Panoro Tunisia Exploration AS has issued a bank guarantee of USD 16.6 million (Panoro's net share is USD 10 million). Although the Group is well funded to undertake upcoming capital expenditure, additional funding may be required to conclude such activities. 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. Options include, amongst others, offtake prepayment structures, increased borrowings 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 two business segments being the exploration and production of oil and gas in North Africa (Tunisia) and West Africa (Nigeria & Gabon).

The Group's reportable segments, for both management and financial reporting purposes, are as follows:

- The North African segment holds the following assets:
 - Sfax Offshore Exploration Permit: Panoro Tunisia Exploration AS (Operator, 52.5%* interest net to Panoro)
 - The Hammamet Offshore Exploration Permit: Medco (Operator), Panoro Tunisia Exploration AS (27.6%* interest net to Panoro), under relinquishment
 - TPS Assets: ETAP, 51% and Panoro TPS Production GmbH, 49% (29.4%* interest net to Panoro).

**Figures only represent net participation interest in proportion to Panoro's equity holding in Sfax Petroleum Corporation AS.*

- 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' 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 for assessing performance. Segment performance is evaluated based on capital and general expenditure. Details of group segments are reported below.

Q2 2018	Q1 2019	Q2 2019		YTD 2019	YTD 2018
<i>(Unaudited)</i>			OPERATING SEGMENTS - GROUP NET SALES	<i>(Unaudited)</i>	
-	1,155	1,162	Net average estimated daily production - TPS assets (bopd)	1,159	-
-	1,042	1,008	Net average estimated daily production - Dussafu (bopd)	1,028	-
295	383	362	Net average estimated daily production - Aje (bopd)	373	339
295	2,580	2,532	Total Group Net average daily production (bopd)	2,560	339
-	118,490	28,411	Oil sales (bbls) - Net to Panoro - TPS assets, Tunisia	146,901	-
-	116,150	62,735	Oil sales (bbls) - Net to Panoro - Dussafu, Gabon	178,885	-
68,206	48,720	44,122	Oil sales (bbls) - Net to Panoro - Aje, Nigeria	92,842	68,206
68,206	283,360	135,268	Total Group Net Sales (bbls)	418,628	68,206
<i>(Unaudited)</i>			OPERATING SEGMENT - NORTH AFRICA	<i>(Unaudited)</i>	
<i>(Unaudited)</i>			<i>in USD 000</i>	<i>(Unaudited)</i>	
-	4,769	803	EBITDA	5,572	-
-	820	941	Depreciation and amortisation	1,761	-
-	74,851	-	Segment assets	75,938	-
<i>(Unaudited)</i>			OPERATING SEGMENT - WEST AFRICA	<i>(Unaudited)</i>	
<i>(Unaudited)</i>			<i>in USD 000</i>	<i>(Unaudited)</i>	
2,424	8,794	3,734	EBITDA	12,528	1,382
-	-	(8,145)	Impairment of E&E Assets - Charge/(Reversal)	(8,145)	-
597	1,566	1,478	Depreciation and amortisation	3,044	1,451
-	46,713	-	Segment assets	50,526	33,971
<i>(Unaudited)</i>			CORPORATE	<i>(Unaudited)</i>	
<i>(Unaudited)</i>			<i>in USD 000</i>	<i>(Unaudited)</i>	
(1,971)	(2,290)	535	EBITDA	(1,755)	(2,151)
18	4	130	Depreciation and amortisation	134	36
-	5,125	-	Segment assets	7,563	5,767
<i>(Unaudited)</i>			CONSOLIDATED	<i>(Unaudited)</i>	
<i>(Unaudited)</i>			<i>in USD 000</i>	<i>(Unaudited)</i>	
453	11,273	5,072	EBITDA	16,345	(769)
615	2,390	2,549	Depreciation and amortisation	4,939	1,487
-	-	(8,145)	Impairment of E&E Assets - Charge/(Reversal)	(8,145)	-
-	126,689	-	Segment assets	134,027	39,738

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

Q2 2018	Q1 2019	Q2 2019		YTD 2019	YTD 2018
<i>(Unaudited)</i>			<i>Amounts in USD 000, unless otherwise stated</i>	<i>(Unaudited)</i>	
1,069	1,178	866	General and Administrative Costs - Corporate and London	2,044	2,153
-	224	114	General and Administrative Costs - Panoro Tunisia	338	-
-	-	91	Non-Recurring Transaction Costs (4.1)	91	95
1,069	1,402	1,071	Total General and Administrative Related Costs	2,473	2,248

- 4.1 Non-recurring transaction costs in the second quarter, 2019 primarily relate to costs for internal restructuring to streamline the group structure. The non-recurring costs have been expensed as incurred and are reported separately from recurring G&A costs for comparative purposes.

5 EARNINGS PER SHARE

Basic earnings or loss per ordinary share amounts are calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. As of 30 June 2019, and 31 March 2019, there were 708,723 potentially dilutive Restricted Share Units which are included in the calculation of diluted earnings per share. The following table reflects the income and share data used in the basic and diluted earnings per share computations:

Q2 2018	Q1 2019	Q2 2019		YTD 2019	YTD 2018
<i>Unaudited</i>			<i>Amounts in USD 000, unless otherwise stated</i>	<i>(Unaudited)</i>	
(331)	(1,523)	8,099	Net profit / (loss) attributable to equity holders of the parent	6,576	(2,601)
42,502	62,388	62,388	Weighted average number of shares outstanding - in thousands	62,388	42,502
42,502	63,096	63,096	Diluted weighted average number of shares outstanding - in thousands	63,096	42,502
(0.01)	(0.02)	0.13	Basic earnings per share (USD) - Total	0.11	(0.06)
(0.01)	(0.02)	0.13	Diluted earnings per share (USD) - Total	0.10	(0.06)

6 LICENCE INTERESTS, EXPLORATION AND EVALUATION, DEVELOPMENT AND PRODUCTION ASSETS

<i>USD 000</i>	Licence interest, Exploration and Evaluation Assets	Production Rights	Development Assets	Production Assets
At 1 January 2019 (Audited)	15,197	31,082	632	41,612
Development assets additions	-	-	-	-
Adjustments to asset retirement estimates	-	-	(12)	771
Exploration and evaluation assets additions	147	-	-	-
Production assets under development	-	-	-	-
Production assets additions	-	-	-	2,022
Impairment (charge)/reversal	-	-	-	-
Depreciation/write-off's during the period	-	(560)	(12)	(1,759)
Balance at 31 March 2019 (Unaudited)	15,344	30,522	608	42,646
Development assets additions	-	-	262	-
Exploration and evaluation assets additions	147	-	-	-
Production assets under development	-	-	1,988	(1,988)
Production assets additions	-	-	-	66
Impairment (charge)/reversal (Note 6.1)	8,145	-	-	-
Depreciation/write-off's during the period	-	(584)	-	(1,839)
Balance at 30 June 2019 (Unaudited)	23,636	29,938	2,858	38,885
At 1 January 2018 (Audited)	13,596	-	1,694	9,902
Development assets additions	-	-	1,526	-
Adjustments to asset retirement estimates	-	-	-	-
Exploration and evaluation assets additions	-	-	-	-
Production assets additions	-	-	-	-
Depreciation/write-off's during the period	-	-	-	(854)
Balance at 31 March 2018 (Unaudited)	13,596	-	3,220	9,048
Development assets additions	-	-	6,196	-
Adjustments to asset retirement estimates	-	-	-	-
Exploration and evaluation assets additions	-	-	-	-
Production assets additions	-	-	-	-
Depreciation/write-off's during the period	-	-	-	(598)
Balance at 30 June 2018 (Unaudited)	13,596	-	9,416	8,450

6.1 The impairment reversal of USD 8.1 million in Q2 2019 relates to the Group's interest in the Dussafu permit, offshore Gabon. The impairment reversal is a result of positive revision in economic evaluations. These include an independent reserves upgrade, which attribute higher recoverable amounts on both 1P and 2P profiles and the sanction of Phase II of the development. The total carrying value for Dussafu, after taking into account the impairment reversal is USD 36.1 million. The net recoverable value was determined on a Value in Use ('VIU') basis using a discounted cash flow model, which exceeds the carrying value at 30 June 2019, even after taking into account the reversal. The reversal represents the entire eligible costs that had been impaired in previous years, adjusted for changes in the Group's ownership interest. Present value of projected cash flows over the economic life of the asset were adjusted to risks specific to the asset and discounted using a discount rate of 13.5% (13.5% for previous impairment reversal in 2017). This discount rate is derived from the Group's estimate of discount rates that might be applied by active market participants and is adjusted, where applicable, to take into account any specific risks relating to the region where the asset is located. In determining VIU it is necessary to make a series of assumptions to estimate future cash flows including volumes, price assumption and cost estimates. Economically recoverable reserves and resources are based on NSAI and project plans

based on Operator sourced information, supported by the evaluation work undertaken by appropriately qualified persons within the Joint Venture. The impairment test is most sensitive to the following assumptions; discount rates, oil and gas prices, reserve estimates and project risk. There are no reasonably possible changes in any of the above key assumptions that would cause the carrying value of the Dussafu asset to materially exceed its recoverable amount.

7 FAIR VALUE OF COMMODITY HEDGES

During Q4 2018, the Group initiated a commodity hedging programme to strategically hedge approximately 10% of its 2P oil reserves to protect against a fall in oil prices and consequently, to protect the Group's ability to service its debt obligations and to fund operations including planned capital expenditure. This equates to approximately 600 bopd, representing approximately 25% of current production, hedged over a three-year period using "zero cost collars" to protect the downside in 'Dated Brent' oil price of below USD 55 per bbl. These hedge contracts are initially recognised at Nil fair value and then revalued at each balance sheet date, with changes in fair value recognised as finance income or expense in the Statement of Comprehensive Income.

The hedging programme continues to be closely monitored and adjusted according to the Group's risk management policies and cashflow requirements. The Group continues to monitor and optimise its hedging programme on an on-going basis.

The outstanding commodity hedge contracts as at the respective balance sheet dates presented were as follows:

	Remaining term	Remaining contract amount	Average contract price		Fair value Asset / (Liability)	Fair value Asset / (Liability)
			<i>Buy Put (USD/Bbl)</i>	<i>Sell Call (USD/Bbl)</i>	<i>Current (USD '000)</i>	<i>Non-Current (USD '000)</i>
		<i>Bbls</i>				
At 31 December 2018	Feb 19 - Dec 21	360,007	55	60.65	364	392
At 31 March 2019	Apr 19 - Dec 21	669,438	55	61.32	(1,494)	(1,837)
At 30 June 2019	July 19 - Dec 21	608,580	55	61.32	(882)	(822)

8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 June 2019 amounted to USD 15.5 million compared to USD 8.1 million as at 31 March 2019 and USD 23.3 million as at 31 December 2018. In addition, the Group had USD 10 million (net to Panoro) of cash held for a bank guarantee issued towards SOEP drilling obligations, as described in Note 9 below.

9 CASH HELD FOR BANK GUARANTEE

During January 2019, the Tunisian Directorate General of Hydrocarbons advised that the Tunisian Consultative Hydrocarbons Committee had required Panoro Tunisia Exploration ("PTE", 60% owned by Panoro) to post a bank guarantee in relation to the drilling operations on SOEP, which will be released at successive operational stages commencing with the spudding of the well, on track during 2019. Accordingly, the Group procured a bank guarantee of USD 16.6 million (USD 10 million net to Panoro) through its group company, PTE. This amount is classified under current assets as at 30 June 2019 and 31 March 2019.

10 SHARE CAPITAL

As at 30 June 2019, 31 March 2019 and 31 December 2018, the Company had a registered share capital of NOK 3,119,380 divided into 62,387,600 shares, each with a nominal value of NOK 0.05.

11 LOANS AND BORROWINGS

On 13 December 2018, the Group entered into an agreement with Mercuria Assets Holdings (Hong Kong) Ltd (“Mercuria”), whereby Mercuria provided PTP (60% owned by Panoro) an acquisition loan facility comprising: i) a Senior Secured Loan facility of USD 16.2 million (USD 27 million gross), and ii) an additional Junior Loan facility for a further USD 4.8 million (USD 8 million gross). The Senior Secured Loan facility was fully drawn in December 2018. The Junior Loan facility was available for up to six months from 17 December 2018. In May, the Group opted to cancel the Junior loan facility.

During the second quarter 2019, the Group repaid USD 660 Thousand (USD 1.1 million gross) of the outstanding principal of the Senior Secured facility, representing the first repayment under the facility. In order to better manage working capital swings, on 25 June 2019, the Group and Mercuria mutually agreed to make minor adjustments to the Facility terms, resulting in the Facility amount increasing by USD 2.5 million (USD 4.1 million gross) to USD 18 million (USD 30 million gross). As part of the security package for the enhanced facility size, shares in Panoro Energy AS (holding company for Panoro Tunisia Exploration AS) have been pledged as collateral.

The amended Senior Loan facility has a term of 5 years from 30 June 2019 with interest charged at USD 3-month LIBOR plus 6% on the balance outstanding, with repayments due each quarter.

Key financial covenants were unchanged as a result of the amendment and are required to be tested at the end of every 3-month period. These covenants, applicable at levels of the borrower group as defined in the loan documentation, include the following:

- (i) Field life coverage ratio: 1.50x
- (ii) Minimum cash balance of USD 2.1 million to be maintained at all times in the collection account of Panoro TPS Production GmbH (USD 3.5 million gross)
- (iii) Debt service coverage ratio: between 1.15x and 1.25x subject to specifications in the loan agreement.
- (iv) Liquidity Test: Customary to the loan instrument.

The Group was not in breach of any financial covenants as at any of the balance sheet dates presented.

The current and non-current portion of the outstanding balance as of the balance sheet dates attributable to Panoro’s 60% ownership is as follows:

	30 June 2019	31 March 2019	31 December 2018
<i>USD 000</i>	<i>(Unaudited)</i>		<i>(Audited)</i>
Senior Loan facility - Non-current	15,120	13,560	13,560
Senior Loan facility - Current	2,880	2,640	2,639
Accumulated interest accrued - Current	338	356	67
Total Senior Loan facility	18,338	16,556	16,266
Unamortised borrowing costs - Non-current	(364)	(330)	(369)
Unamortised borrowing costs - Current	(165)	(133)	(101)
Total Unamortised borrowing costs	(529)	(463)	(470)
Total Senior Loan facility	17,809	16,093	15,796

Un-amortised borrowing costs at 26 June 2019 included USD 453 thousand of the remainder of costs capitalised in December 2018 representing the directly attributable costs of financing for the original Senior Secured facility. In addition, facility fees and directly attributable third-party costs of USD 78 thousand were capitalised relating to the incremental loan amount on 26 June 2019. These costs are expensed using an effective interest rate of 9.8% per annum over the revised term of the facility (effective interest rate at 31 March 2019 and 31 December 2018: 10.2% per annum).

12 BW ENERGY NON-RECOURSE LOAN

The Group has in place a non-recourse loan from BW Energy in relation to the funding of the Dussafu development. The loan bears interest at 7.5% per annum on outstanding balance, compounded annually.

	30 June 2019	31 March 2019	31 December 2018
<i>USD 000</i>			
		<i>(Unaudited)</i>	<i>(Audited)</i>
BW Energy non-recourse loan - Non-current	3,666	8,350	9,392
BW Energy non-recourse loan - Current	4,361	2,466	3,108
Accumulated interest accrued - Current	1,062	860	643
Total carrying value	9,089	11,676	13,143

Accumulated interest as of 30 June 2019 was USD 1.1 million (31 March 2019: USD 0.9 million). The reduction in the outstanding balance is due to repayments of USD 2.8 million applied from Panoro's share of sales during the quarter.

The 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 and as such the loan is classified into short-term and long-term liabilities in reported quarters based on expected field production and lifting schedule. During the repayment phase, Panoro is still entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations.

13 DECOMMISSIONING LIABILITY

In accordance with the agreements and legislation, the wellheads, production assets, pipelines and other installations may have to be dismantled and removed from oil and natural gas fields when the production ceases. The following table presents amounts of the estimated obligations associated with the retirement of oil and natural gas properties:

<i>USD 000</i>	Tunisia	Gabon	Nigeria	Total
At 1 January 2019 <i>(Audited)</i>	17,049	1,531	2,159	20,739
Recognised during the period	-	-	-	-
Unwinding of discount	124	44	30	198
Change in inflation and discount rate (estimate)	(645)	440	976	771
Balance at 31 March 2019 <i>(Unaudited)</i>	16,528	2,015	3,165	21,708

Recognised during the period	-	-	-	-
Unwinding of discount	122	14	24	160
Change in inflation and discount rate (estimate)	-	-	-	-
Balance at 30 June 2019 <i>(Unaudited)</i>	16,650	2,029	3,189	21,868

At 1 January 2018 <i>(Audited)</i>	-	-	2,039	2,039
Recognised during the period	-	-	-	-
Unwinding of discount	-	-	29	29
Balance at 31 March 2018 <i>(Unaudited)</i>	-	-	2,068	2,068

Recognised during the period	-	-	-	-
Unwinding of discount	-	-	29	29
Balance at 30 June 2018 <i>(Unaudited)</i>	-	-	2,097	2,097

All amounts are classified as Non-Current.

The exact timing of the obligations is uncertain and depends on the rate the reserves of the field are depleted. However, based on the existing production profile of the assets, the following assumptions have been applied in order to calculate the liability:

Nigeria and Gabon:

It is expected that expenditure on retirement is likely to be after more than ten years. The current bases for the provision at 30 June 2019 and 31 March 2019 are a discount rate of 3% and an inflation rate of 2% (31 December 2018: 5.9% and 1.5% respectively).

Tunisia:

A total decommissioning liability of USD 17 million (USD 28 million gross) was acquired as part of the OMV transaction in December 2018. The liability was stated at fair value on the balance sheet as at 31 December 2018. The current bases for the provision at 30 June 2019 and 31 March 2019 are a discount rate of 3% and an inflation rate of 2%.

14 OML113 AJE LIABILITIES

Since the settlement of the Aje dispute (as described in Q4 2017 report), the Group 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, in combination with the operational accruals resulted in proportional liabilities of USD 3.5 million as of 30 June 2019, compared to USD 4.6 million as of 31 March 2019. The decrease in liability is due to the effect of the proceeds from the quarter's Aje lifting being utilised to fund the quarterly operating costs and resulting in a decrease in operational payables. The underlying liabilities will continue to reduce through the allocation of any available excess funds from future Aje liftings. 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 currently anticipate any use of Panoro's cash resources and expect it to be funded from the sale of our share of Aje crude.

15 INCOME TAX

Corporation tax charge for the respective quarters presented is split as follows:

Q2 2018	Q1 2019	Q2 2019		YTD 2019	YTD 2018
<i>Unaudited</i>			<i>Amounts in USD 000, unless otherwise stated</i>	<i>(Unaudited)</i>	
-	2,442	1,480	Effect of taxes under PSA arrangements - Gabon	3,922	-
-	2,574	464	Current income tax charge - Tunisia	3,038	-
-	7	-	Other Corporate	7	-
-	28	510	Deferred tax charge	538	-
-	5,051	2,454	Total tax charge	7,505	-

Corporation tax liability at 30 June 2019 of USD 8.9 million comprised almost entirely of taxes due on income from TPS assets with the remainder USD 10 thousand for taxes payable in Brazil. Corporation tax liability at 31 March 2019 of USD 8.2 million comprised USD 8.2 million for taxes on income from TPS assets and the remainder USD 26 thousand for taxes payable in Brazil. Corporation tax liability at 31 December 2018 of USD 5.8 million comprised solely of taxes payable on income from TPS assets.

16 SUBSEQUENT EVENTS

The Hibiscus Up-dip well was spudded on the Dussafu permit in Gabon in August 2019. There were no other material reportable events subsequent to quarter end.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of 30 June 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

JULIEN BALKANY	TORSTEIN SANNESS	GARRETT SODEN
Chairman of the Board	Deputy Chairman of the Board	Non-Executive Director
ALEXANDRA HERGER	HILDE ÅDLAND	
Non-Executive Director	Non-Executive Director	

OTHER INFORMATION

FINANCIAL CALENDAR

22 August 2019	Half-Yearly Report 2019
20 November 2019	Quarter Report Q3, 2019

GLOSSARY AND DEFINITIONS

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bopd	Bopd
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
EBIT	Earnings before Interest and Taxes

DISCLAIMER

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



Contact information

For further information, please contact:

John Hamilton, Chief Executive Officer

Panoro Energy ASA/ Panoro Energy Limited

investors@panoroenergy.com

Tel: +44 20 3405 1060

Qazi Qadeer, Chief Financial Officer

Panoro Energy ASA/ Panoro Energy Limited

investors@panoroenergy.com

Tel: +44 20 3405 1060

www.panoroenergy.com