
FIRST QUARTER REPORT 2020

28 May 2020

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HIGHLIGHTS AND EVENTS

FIRST QUARTER 2020 HIGHLIGHTS AND SUBSEQUENT EVENTS

Financial Highlights

- Gross revenue from continuing operations¹ for 1Q 2020 of USD 3.4 million compared to USD 13.7 million for the previous quarter, due to fewer liftings (70% lower in volume) and lower oil prices
- EBITDA from continuing operations of USD 0.3 million compared to USD 5.5 million for the fourth quarter of 2019
- Q1 2020 Net income before tax of USD 9 million principally from gains on crude oil hedges
- Q1 2020 net group production from continuing operations of approximately 2,042 bopd (Q4 2019 average net production: 1,921 bopd)
- Cash balances of USD 24.2 million at quarter end (31 December 2019: USD 30.5 million) including cash held for bank guarantee
- Debt of USD 23.4 million (31 December 2019: USD 25.4 million), with USD 2.1 million having been repaid in the quarter

Operational Highlights

- Production and lifting operations maintained and unaffected through crisis
- Health and Safety systems and protocols proved resilient
- Capital expenditure materially reduced through the deferment of drilling activities in Gabon
- Gabon annual production guidance revised down due to impact of COVID-19 on well drilling and completion activities
- Tunisian gross production increase by 15% as compared to Q4 2019 to approximately 4,000 bopd in current quarter with further increase targeted in Q3
- Rig secured to drill well on Guebiba field, to be followed by Salloum West exploration well

Corporate Highlights

- Hedging strategy proving effective in period of extremely volatile and low oil prices
- Farm-in agreement signed on 25 February 2020 for 12.5% Working Interest in Block 2B, offshore South Africa

Outlook and Guidance

- Current 2020 net production guidance of 2,300-2,600 bopd due to announced revision in Gabon
- In Gabon, production from DTM-6H (drilled but not tied in) and DTM-7H (to be drilled) to be brought on as soon as conditions permit
- Production growth activity in Tunisia at unprecedented levels, with further increase expected in Q3 2020
- Dividend of PetroNor shares upon completion of sale of Aje

¹ Discontinued Operations

Aje operations in Nigeria classified as discontinued operations following divestment agreement, pending completion, and excluded from continuing activities.

OPERATIONAL UPDATE

GABON

Dussafu Marin: BW Energy (Operator), Panoro Energy (7.5% interest)

Production from the Tortue field continued at an average gross rate of 11,485 bopd during the quarter. The FPSO was shut-in for a period of 10 days in February to enable the hookup of the initial phase 2 wells, DTM-4H and DTM-5H. By the end of the quarter the Tortue field was producing from four wells, at a current gross rate of around 17,000 bopd.

A lifting of approximately 680,000 barrels gross was completed in March.

The second phase of drilling at the Tortue field, which started in October 2019, concluded in March 2020 with three additional production wells successfully drilled and completed, all of the wells encountering long horizontal sections of good quality oil saturated reservoir sands. DTM-4H and DTM-5H were hooked up to the FPSO and started production in March 2020 alongside the phase one wells, DTM-2H and DTM-3H. DTM-6H was completed but hook-up suspended, and DTM-7H was postponed, both due to operational restrictions as a result of the COVID-19 pandemic. As a result of this delay to activities, 2020 gross production guidance is now in the range of 15 kbopd to 16.5 kbopd.

Ruche Phase 1 is planned as the next phase of development at the Dussafu block which is expected to consist of four production wells at the Hibiscus field and two wells at the Ruche field, tied back to the BW Adolo FPSO via a platform and pipeline. Planning and Engineering activities for Ruche Phase 1 have been temporarily postponed until conditions improve.

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 represent the Company's 60% interest, unless otherwise stated.

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

Production from the TPS assets for the quarter has averaged 4,006 bopd gross (net: 1,178 bopd), an increase of 15% as compared to 3,473 bopd during Q4 2019. A workover on the EL-AIN-01 well was performed during the period.

The ongoing workover operations are expected to complete in the coming months on key wells across three fields, with the goal of achieving our targeted production of 5,000 bopd. The first of these activities was completed at the Rhemoura field where production was successfully restarted during January 2020 from the RHE-01 well. Following a successful stimulation workover, the RHE-01 well is now producing at approximately 500 bopd, a fourfold productivity increase and a much higher rate than originally anticipated, this result has encouraged the identification of further wells as targets for stimulation across the other fields.

The Ulysses Rig-01 finished workover operations at EL-AIN-01 on 22nd March. A hole in the 9 5/8" casing has been repaired, the 7" casing tied back to the surface as a production casing and the well left suspended until the final phase of the workover of stimulation and the running of the final ESP completion string.

In response to the developing coronavirus pandemic, on 16th March the authorities suspended all air and land links, with the exception of cargo and repatriation flights. Actions were taken to safeguard current production whilst non-essential operations were put on hold. Workover activity at Guebiba and El Ain was put on hold until the current restrictions are eased. This includes the GUE-05A workover to perforate the high potential Douleb reservoir. At El Ain, the EL AIN-01 and EL AIN-3SD workovers to run ESP completion strings were put on hold during this period and will shortly resume. Work is also progressing to enhance production through further well work activities at the Guebiba field where additional workovers are being planned alongside a repair of and possible upgrade to the water injection facilities. At GUE-4 we plan to recover a failed downhole completion and to also complete this well on the Douleb reservoir. TPS are now planning to drill a new production well as a sidetrack to GUE-10 in the Guebiba Field using the CTF Rig 06 ahead of Salloum West.

Two domestic liftings of 27,385 bbls in total net to Panoro were completed during the first quarter. An international lifting of 90,444 bbls net to Panoro was completed post quarter end in April 2020.

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

Panoro is in the advanced phase of preparation 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 has now formalised the drilling plans for SMW-1 including the well planning, location and approvals for drilling. Amongst these approvals, the Environmental Impact Assessment has now been approved by the Agence Nationale de Protection de l'Environnement (“ANPE”) and the well location by ETAP. Commencement of the civils construction works has been delayed pending the issue of an approval from the Sfax Municipality and more recently with COVID-19. With this delay to the operations, TPS are now scheduling the sidetrack to GUE-10 using the CTF Rig 06 ahead of Salloum West. Contracts award and negotiations are ongoing with the rig contract now signed with CTF, the Tunisian state-owned drilling company. Contracts for piling operations and the civils construction works on the wellsite have been awarded. The well is currently expected to spud in 4Q 2020.

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 TPS oil infrastructure.

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 anticipated associated costs of approximately USD 2 million as previously indicated (USD 1.2 million net to Panoro).

NIGERIA (DISCONTINUED OPERATION AND HELD FOR SALE)

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

Net to Panoro, the Aje field produced an average of 264 bopd during the quarter. Production from the Aje field continued from the Aje-4 and Aje-5 wells, with the Aje-4 well producing from the Cenomanian oil reservoir and the Aje-5 well producing from the oil rim of the Turonian reservoir. A crude lifting was carried out in March 2020. 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 and liquid reserves.

Panoro announced in October 2019 that it had entered into a sale and purchase agreement with PetroNor E&P Limited (“PetroNor”), an exploration & production oil and gas company listed on the Oslo Axess, to divest all outstanding shares in its fully owned subsidiaries Pan-Petroleum Services Holding BV and Pan-Petroleum Nigeria Holding BV (together referred to as “Divested Subsidiaries”) for an upfront consideration consisting of the allotment and issue of new PetroNor shares with a fixed value of USD 10 million (the “Share Consideration”) plus a contingent consideration of up to USD 25 million based on future gas production volumes. PetroNor has an option to pay a portion of the Share Consideration in cash. The sale transaction is conditional upon execution and completion of the agreements between PetroNor and YFP, the authorisation of the Nigerian Department of Petroleum Resources and the consent of the Nigerian Minister of Petroleum Resources. Panoro’s intention is to declare a special dividend and distribute the Share Consideration, to the extent received in shares, to its shareholders.

CORPORATE

The Group closed the quarter with total debt of USD 23.4 million (31 December 2019: USD 25.4 million) and cash of 24.2 million (31 December 2019: USD 30.5 million), including USD 10 million held for the SOEP guarantee (31 December 2019: USD 10 million). In total, the Group repaid USD 2 million of external debt during the first quarter of 2020, comprising USD 1.3 million of repayment for the BW Energy non-recourse loan and USD 0.7 million of repayment for the Mercuria Senior Loan facility.

Following the agreement with PetroNor, all assets and liabilities pertaining to the Divested Subsidiaries have been assessed and concluded to be part of the disposal group which has been classified as Held for Sale in the Group’s balance sheet from the fourth quarter of 2019. The results and operations from the OML 113 license have also been reviewed and classified as discontinued operations for reporting purposes with more details included in Note 5 to this report. Following completion of the Transaction, Panoro will have no presence in Nigeria.

On 25 February 2020, Panoro Energy ASA signed a Farm Out Agreement (“FOA”) with a subsidiary of Africa Energy Corp. (“AEC”), part of the Lundin Group of Companies, which entails a wholly-owned subsidiary of Panoro acquiring a 12.5% interest in Block 2B located in the Orange Basin, offshore the west coast of South Africa. Completion of the FOA is subject to consent of the Minister of Minerals and Energy of South Africa and the Azinam farm-out becoming effective; the approval process is anticipated to take approximately 6 months. The Block 2B Exploration Right is in the second exploration period, and an application has been filed for entry into the third two-year period, which includes a proposed commitment to drill one well.

Under the terms of the FOA, Panoro will acquire a 12.5% interest and carry the AEC subsidiary for up to \$2.5 million of the well cost. The well is expected to be spud as early as 1Q 2021 depending on regulatory approvals and rig availability. Panoro’s total share of drilling costs including the AEC carry is estimated at approximately USD 5 million, which will be funded from existing financial resources. Separately, AEC has announced a farm-out whereby Azinam Limited will take a 50% share and operatorship in Block 2B.

While many logistical challenges associated with COVID-19 continue, Panoro’s production to date has been largely unaffected. The health and safety culture at our operations has shown to be resilient, with conduct of safe operations, together with the well-being of our team, being our top priority. Production in both Gabon and Tunisia continues to be in line with expectations given the necessary deferral in some near-term development activity.

Panoro anticipates that the well-publicized global oil demand reduction and storage shortage may continue to provide both downward oil pricing pressure and logistical challenges for the upcoming months. The Company is proactively working with partners, host governments, suppliers and customers to mitigate the risks associated with this unprecedented global situation.

FINANCIAL INFORMATION

INCOME STATEMENT REVIEW

As noted on page 4, by virtue of 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.

During the fourth quarter of 2019, the Company entered into an agreement to divest all its operations in Nigeria to PetroNor, thereby resulting in changes to presentation of the results, operations and assets and liabilities of the disposal group comprising of the Divested Subsidiaries. The results and operations of the Divested Subsidiaries met the criteria of Discontinued Operations under IFRS 5 and have therefore been isolated and removed from "Continuing activities" and re-classified and presented as a separate line item "Discontinued Operations" in the statement of comprehensive income. Comparatives for the periods presented, pertaining to Discontinued Operations, have also been re-classified in accordance with the accounting standards. Furthermore, assets and liabilities pertaining to the Divested Subsidiaries have also been isolated and presented in separate line items in the statement of financial position from end of 2019. Details of assets and liabilities held for sale and the Discontinued Operations can be referred to in Note 5 to these interim financial statements.

Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful Non-GAAP financial measure 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 from continuing operations of the Group. A reconciliation with adjustments to arrive at the Underlying Operating Profit/(Loss) before tax from continuing operations is included in the table below:

	Q1 2020	Q4 2019	Q1 2019
<i>Amounts in USD 000</i>			
		<i>(unaudited)</i>	
Net income/(loss) before tax - continuing operations	9,070	307	3,634
Share based payments	240	250	166
Non-recurring costs	66	173	-
Loss/(gain) on disposal of oil and gas assets	-	288	-
Impairment / (reversal) of impairment for Oil and gas assets	-	-	-
Unrealised (gain)/loss on commodity hedges	(10,108)	2,183	4,087
Underlying Operating Profit/(Loss) before tax	(732)	3,201	7,887

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) from continuing operations before tax adjusted for (i) Share based payment charges, (ii) unrealised (gain) loss on commodity hedges, (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.

First quarter 2020 versus fourth quarter 2019

The commentary that follows pertains only the Group's continuing operations in Gabon and Tunisia.

Panoro Energy reported an EBITDA from continuing operations of USD 0.3 million in the first quarter of 2020, compared to USD 5.5 million in the fourth quarter of 2019. Lower EBITDA in the first quarter of 2020 is primarily driven by lower oil revenue, comprising only two small domestic liftings in Tunisia and one lifting in Gabon compared to two liftings for Dussafu in Gabon and one international lifting for the Group's Tunisian assets in the previous quarter. Realised prices in the first quarter of 2020 are also lower given the current economic situation and the fall in oil prices since the start of 2020. It should be noted that lifting scheduling across the Group's production assets will vary and as such due to revenue recognition accounting standards, uneven financial results are to be expected quarter on quarter despite normal operational performance.

Revenue from continuing operations in the first quarter of 2020 was USD 3.4 million compared to USD 13.7 million in 4Q 2019. This comprised USD 2.8 million of oil sales revenue and USD 0.6 million of other revenue. Oil sales revenue in 1Q 2020 was generated through the sale of 71,021 barrels, comprising two smaller domestic liftings for TPS assets and one lifting for Dussafu. Revenue for the previous quarter comprised solely of oil sales revenue with 210,487 barrels sold through two liftings in Dussafu and one international lifting and one smaller domestic lifting for TPS assets. 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. This presentation is consistent with oil and gas reporting standards and is a notional adjustment which is neutral to net income/loss on an overall basis.

Of the total oil sales revenue from continuing activities of USD 2.8 million for the first quarter of 2020, USD 1.4 million was from Dussafu and USD 1.4 million from the Group's Tunisian assets. This compares to USD 13.7 million for the fourth quarter of 2019, where USD 7.2 million was from Dussafu and USD 6.5 million from the Group's Tunisian assets.

Operating and other costs attributable to continuing operations of the Group were USD 1.3 million in 1Q 2020 compared to USD 6.3 million in 4Q 2019, a decrease of USD 5 million. The decrease is primarily driven by lower sales volumes quarter on quarter, the effect of the increase in oil inventory in the Tunisian operations and also due to higher workover activity in Tunisia during the fourth quarter of 2019.

General and Administrative (G&A) costs from continuing operations decreased from USD 1.9 million in the fourth quarter of 2019 to USD 1.6 million in the current quarter. This is reflective of the decreased activity during the quarter in Tunisia and cyclical nature of the timing of some annual overheads.

Non-recurring transaction costs in the first quarter of 2020 were USD 66 thousand compared to USD 173 thousand in the previous quarter. Non-recurring primarily included costs associated with work to streamline the overall group structure and integration activities and are related to the Group's continuing operations.

Exploration related costs for the current quarter were USD 93 thousand compared to a credit of USD 219 thousand in the previous quarter. The credit in the previous quarter resulted from a year to date true up exercise to capitalise USD 0.8 million of eligible exploration costs related to Salloum West well in Tunisia.

Depreciation charge for the Group's assets attributable to continuing operations decreased by USD 0.7 million to USD 1.6 million in the current quarter compared to USD 2.3 million in the previous quarter. The decrease is primarily due to a higher charge for Dussafu in the fourth quarter of 2019 as a result of a reserves upgrade in October 2019, which resulted in an upward revision to future capital expenditure required to access the increased 2P reserves.

There was no impairment charge or reversal pertaining to continuing operations of the Group during both 1Q 2020 and 4Q 2019.

EBIT from continuing operations for the first quarter of 2020 was thus a negative of USD 1.6 million compared to positive USD 2.7 million in 4Q 2019.

Net financial items from continuing operations amounted to a gain of USD 10.6 million in the first quarter of 2020, compared to a loss of USD 2.4 million for the previous quarter, an increase of USD 13 million. The primary driver for the change is gains on commodity hedges due to the prevailing oil prices of USD 11.2 million in the current quarter, compared to a loss of USD 2.4 million in the fourth quarter of 2019. Interest expense on external debt for the first quarter of 2020 was USD 0.4 million compared to USD 0.5 million in the prior quarter.

Profit before tax for the first quarter from continuing operations was therefore USD 9 million compared to USD 0.3 million in the fourth quarter of 2019.

First quarter net profit after tax from continuing operations was USD 8 million, compared to net loss after tax of USD 3.4 million in the previous quarter.

Corporation taxes decreased from USD 3.7 million to USD 1.1 million in the first quarter of 2020. The tax charge in the fourth quarter of 2019 comprised taxes on income from the Group's Tunisian operations of USD 1.7 million. In addition, a deferred tax

liability of USD 2 million was recognised in the fourth quarter of 2019 arising from temporary differences between tax base and accounting base of the production assets in Tunisia, with a corresponding current tax charge in the statement of comprehensive income. The tax charge in the first quarter of 2020 comprises USD 0.6 million of State profit oil under the terms of the Dussafu PSC, and USD 0.5 million for the Tunisian operations, offset by a deferred tax credit of USD 68 thousand.

Underlying Operating Loss before tax from continuing operations for first quarter of 2020 was USD 0.7 million compared to a profit of USD 3.2 million for the fourth quarter of 2019 (see details on page 7).

First quarter 2020 versus first quarter 2019

The commentary that follows pertains only the Group's continuing operations in Gabon and Tunisia.

Panoro Energy reported an EBITDA from continuing operations of USD 0.3 million in the first quarter of 2020, compared to USD 10.3 million in the first quarter of 2019. Lower EBITDA in the first quarter of 2020 is primarily driven by lower oil revenue, comprising only two small domestic liftings in Tunisia and one lifting in Gabon. In the first quarter of 2019, the Group saw two liftings in Gabon and one international lifting and two smaller domestic liftings by the state in Tunisia. Realised prices in the first quarter of 2020 are also lower given the current economic situation and the fall in oil prices since the start of 2020. It should be noted that lifting scheduling across the Group's production assets will vary and as such due to revenue recognition accounting standards, uneven financial results are to be expected quarter on quarter despite normal operational performance.

Revenue from continuing operations in the first quarter of 2020 was USD 3.4 million compared to USD 16.7 million in 1Q 2019. This comprised USD 2.8 million of oil sales revenue and USD 0.6 million of other revenue. Oil sales revenue in 1Q 2020 was generated through the sale of 71,021 barrels, comprising two smaller domestic liftings for TPS assets and one lifting for Dussafu.

Revenue for the first quarter of 2019 comprised of oil sales revenue of USD 14.2 million and USD 2.5 million of other revenue that relates to the gross-up of the State profit oil allocation under Dussafu PSC. The oil sales revenue was generated through the sale of 234,640 barrels, sold through two liftings in Dussafu and one international lifting and two smaller domestic lifting for TPS assets. 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. This presentation is consistent with oil and gas reporting standards and is a notional adjustment which is neutral to net income/loss on an overall basis.

Of the total oil sales revenue from continuing activities of USD 2.8 million for the first quarter of 2020, USD 1.4 million was from Dussafu and USD 1.4 million from the Group's Tunisian assets. This compares to USD 14.2 million for the first quarter of 2019, where USD 7.3 million was from Dussafu and USD 6.9 million from the Group's Tunisian assets.

Operating and other costs attributable to continuing operations of the Group were USD 1.3 million in 1Q 2020 compared to USD 4.9 million in 1Q 2019, a decrease of USD 3.6 million. The decrease is primarily driven by lower sales volumes quarter on quarter.

General and Administrative (G&A) costs from continuing operations increased from USD 1.4 million in the first quarter of 2019 to USD 1.6 million in the current quarter. The increase is primarily due to the cyclicity of the timing of some annual overheads.

Non-recurring transaction costs in the first quarter of 2020 were USD 66 thousand compared to USD Nil in the first quarter of the previous year. Non-recurring primarily included costs associated with work to streamline the overall group structure and integration activities and are related to the Group's continuing operations.

Exploration related costs were consistent across the two reported quarters at USD 0.1 million.

Depreciation charge for the Group's assets attributable to continuing operations increased by USD 0.2 million to USD 1.6 million in the current quarter compared to USD 1.4 million in the first quarter of last year. The increase is due to higher depreciation charge for Dussafu following a reserves upgrade in October 2019, which resulted in an upward revision to future capital expenditure required to access the increased 2P reserves.

There was no impairment charge or reversal pertaining to continuing operations of the Group during both 1Q 2020 and 1Q 2019.

EBIT from continuing operations for the first quarter of 2020 was thus a negative of USD 1.6 million compared to positive USD 8.7 million in 1Q 2019.

Net financial items from continuing operations amounted to a gain of USD 10.6 million in the first quarter of 2020, compared to a loss of USD 5 million in the first quarter of 2019, an increase of USD 15.7 million. The primary driver for the change is gains on commodity hedges due to the prevailing low oil prices of USD 11.2 million in the current quarter, compared to a loss of USD 4.2 million in the first quarter of 2019. Interest expense on external debt for the first quarter of 2020 was USD 0.4 million compared to USD 0.8 million in first quarter, 2019.

Profit before tax for the first quarter from continuing operations was therefore USD 9 million compared to USD 3.6 million in the first quarter of 2019.

First quarter net profit after tax from continuing operations was USD 8 million, compared to net loss after tax of USD 1.4 million in the first quarter of 2019.

Corporation taxes decreased from USD 5.1 million in 1Q 2019 to USD 1.1 million in the first quarter of 2020. The tax charge in the first quarter of 2019 comprised taxes on income from the Group's Tunisian operations of USD 2.6 million and USD 2.4 million of State profit oil under the terms of the Dussafu PSC. The tax charge in the first quarter of 2020 comprises USD 0.6 million of State profit oil under the terms of the Dussafu PSC, and USD 0.5 million for the Tunisian operations, offset by a deferred tax credit of USD 68 thousand.

Underlying Operating Loss before tax from continuing operations for first quarter of 2020 was USD 0.7 million compared to a profit of USD 7.9 million for the first quarter of 2019 (see details on page 7).

STATEMENT OF FINANCIAL POSITION REVIEW

As noted on page 4, by virtue of a 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.

During the fourth quarter of 2019, the Company entered into an agreement to divest all its operations in Nigeria to PetroNor, thereby resulting in changes to presentation of the results, operations and assets and liabilities of the disposal group comprising of the Divested Subsidiaries. Assets and liabilities pertaining to the Divested Subsidiaries have also been isolated and presented in separate line items in the statement of financial position as of the fourth quarter of 2019. Details of assets and liabilities held for sale can be referred to in Note 5 to the interim financial statements.

Movements to 31 March 2020 from 31 December 2019

Movements in the Group statement of financial position during the first quarter of 2020 were a combination of the following:

Non-current assets

Non-current assets amount to USD 93.3 million at 31 March 2020, an increase of 6.7 million from USD 86.6 million at 31 December 2019.

An explanation of such movement is predominantly development asset additions at Dussafu of USD 4.1 million; in addition, there is the non-current portion of the fair value of hedge instruments of USD 2.9 million. The remaining movements are a result of a combination of capitalisation of assets offset by depreciation charge for the current quarter.

Current assets

Current assets amount to USD 43.0 million as of 31 March 2020, compared to USD 45.0 million at 31 December 2019.

Crude oil inventory of USD 1.6 million relates entirely to Tunisian operations. There was no crude inventory reported for Dussafu at the end of the quarter as the Group was in an overlift position following the Dussafu lifting in the quarter. Materials inventory was largely unchanged from the previous quarter.

Trade and other receivables at 31 March 2020 are USD 6.5 million, a decrease of USD 2.9 million from USD 9.4 million at 31 December 2019; the decrease reflects the collection of proceeds from the last Dussafu lifting. Of the current overall receivables balance, USD 1.7 million relates to Tunisian domestic oil sales receivable at the end of the current quarter, USD 1.4 million relates to the latest Dussafu lifting and USD 1.2 million relating to the realised gain on the March 2020 hedge settlements.

The Group is committed to an obligation of drilling 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 31 March 2020.

Consequently, cash and cash equivalents stood at USD 14.3 million, compared to USD 20.5 million at 31 December 2019 (both periods excluding USD 10 million held for the SOEP guarantee). The decrease in cash and cash equivalents is mainly due to the continued investing activities to progress the Group's oil and gas assets.

The classification of Aje related assets of USD 19.6 million as held for sale is referenced in Note 5.

Equity

Equity as at 31 March 2020 amounts to USD 78.9 million compared to USD 72.7 million at the end of December 2019.

Non-current liabilities

Total non-current liabilities are USD 46.6 million as at 31 March 2020 compared to USD 43.9 million at 31 December 2019.

Non-current portion of the Mercuria Senior Secured facility decreased from USD 13.1 million at 31 December 2019 to USD 12.2 million at 31 March 2020.

BW Energy non-recourse loan balance reduced from USD 8.1 million as at 31 December 2019 to USD 6.8 million as at 31 March 2020 on an overall basis. The non-current portion of the BWE loan was USD 6.4 million compared to USD 3.4 million as of 31 December 2019. For the purpose of classification in the Group's statement of financial position, USD 6.4 million of the entire loan balance has been categorised in non-current portion due to expected low oil price assumptions. Since the repayment of the loan is linked to production and, impacted by oil prices and operating expenses, judgement has been exercised in estimation of these values. The actual repayments may therefore vary from the estimates in current and non-current portions recognised as of the date of the statement of financial position.

The remaining liabilities included the non-current portion of fair value of hedge instruments amounting to USD nil (31 December 2019: USD 0.1 million), the decommissioning liabilities of USD 19.6 million and the lease liability recognised on first time adoption of IFRS 16 in 2019.

Current liabilities

Current liabilities amounted to USD 13.4 million at 31 March 2020, compared to USD 19.5 million at the end of December 2019, a decrease of USD 6.3 million. This decrease predominantly relates to the classification of the BWE non-recourse loan as referenced in Note 13.

Corporation tax liabilities were USD 4.4 million as at 31 March 2020 (31 December 2019: USD 5.0 million). Corporation tax liabilities relate primarily to taxes due on income from TPS Assets.

The current portion of the Mercuria Senior Secured facility at 31 March 2020 amounted to USD 3.8 million compared to USD 4.0 million at 31 December 2019. BW Energy non-recourse decreased from USD 4.7 million as at 31 December 2019 to USD 0.4 million as at 31 March 2020 due to the classification of the loan as referenced in Note 13.

Also included in the current liabilities is the current portion of fair value of hedge instruments amounting to nil as at 31 March 2020 (31 December 2019: USD 1.0 million). Other current liabilities include the overlift liability on Dussafu of USD 0.4 million and also operational accruals of USD 1.0 million.

Accruals and other payable amounted to USD 1.2 million at 31 March 2020, a decrease of USD 0.4 million compared to the balance of USD 1.6 million at 31 December 2019.

The classification of Aje related liabilities of USD 17.1 million as held for sale, included the decommissioning liability and non-current payables due to the Aje joint venture and are referenced in Note 5.

OUTLOOK

- Focus on financial discipline and maintaining existing production
- Production guidance for 2020 (2,300 – 2,600 bopd excl. Aje)
- Upside to asset base still intact, timing delayed
- Resilient business model in a challenging environment

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

		Q1 2020	Q4 2019	Q1 2019
<i>Amounts in USD 000</i>		<i>(Unaudited)</i>		
CONTINUING OPERATIONS				
	Note			
Oil revenue		2,803	13,694	14,227
Other revenue		613	-	2,442
Total revenues		3,416	13,694	16,669
Expenses				
Operating costs		(1,329)	(6,329)	(4,880)
Exploration related costs and operator G&A		(93)	219	(114)
Non-recurring costs	4	(66)	(173)	-
General and administrative costs	4	(1,618)	(1,864)	(1,376)
EBITDA		310	5,547	10,299
Depreciation, depletion and amortisation	7	(1,644)	(2,301)	(1,450)
(Impairment) / reversal of impairment for Oil and gas assets		-	-	-
Loss/(gain) on disposal		-	(288)	-
Share based payments		(240)	(250)	(166)
EBIT - Operating income/(loss)		(1,574)	2,708	8,683
Interest costs net of income		(429)	(515)	(841)
Unrealised gain/(loss) on commodity hedges		10,108	(2,183)	(4,087)
Realised gain/(loss) on commodity hedges		1,118	(198)	(96)
Other financial costs net of income		(207)	(17)	(242)
Net foreign exchange gain / (loss)		54	512	217
Net income/(loss) before tax		9,070	307	3,634
Income tax expense	14	(1,052)	(3,743)	(5,051)
Net profit/(loss) from continuing operations		8,018	(3,436)	(1,417)
DISCONTINUED OPERATIONS				
Net income/(loss) from discontinued operations		(2,032)	6,599	(106)
Net profit/(loss) for the year		5,986	3,163	(1,523)
Exchange differences arising from translation of foreign operations		-	-	-
Other comprehensive income/(loss) for the period (net of tax)		-	-	-
Total comprehensive income/(loss) for the period (net of tax)		5,986	3,163	(1,523)
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent		5,986	3,163	(1,523)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
Equity holders of the parent		5,986	3,163	(1,523)
EARNINGS PER SHARE				
Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Total	6	0.09	0.05	(0.02)
Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Continuing operations	6	0.12	(0.05)	(0.02)

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

The unaudited prior period quarterly comparatives have been restated in accordance with IFRS in order to disclose discontinued operations separately from continuing activities.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in USD 000	Note	As at 31 March 2020	As at 31 December 2019
		(Unaudited)	(Audited)
Production assets and equipment	7	31,049	30,979
Production rights	7	28,272	28,876
Licenses and exploration assets	7	20,008	19,760
Development assets	7	10,023	5,915
Property, furniture, fixtures and office equipment		865	948
Investment in associates and joint ventures		26	26
Fair value of commodity hedges	8	2,943	-
Other non-current assets		123	131
Total Non-current assets		93,309	86,635
Crude Oil Inventory		1,648	358
Materials Inventory		4,535	4,773
Trade and other receivables		6,472	9,372
Fair value of commodity hedges - current portion	8	6,085	-
Cash and cash equivalents	9	14,272	20,493
Cash held for Bank guarantee	10	9,960	9,960
Restricted cash		-	-
Total current assets		42,972	44,956
Assets classified as held for sale	5	19,643	20,925
Total Assets		155,924	152,516
Share capital	11	458	458
Other equity		78,459	72,233
Total Equity attributable to equity holders of the parent		78,917	72,691
Decommissioning liability		19,598	18,911
Senior Secured Loan	12	12,189	13,091
BW Energy Non-Recourse Loan	13	6,442	3,380
Licence Obligations		4,726	4,726
Fair value of commodity hedges	8	-	106
Other non-current liabilities		1,640	1,708
Deferred tax liabilities	14	1,957	2,024
Total Non-current liabilities		46,552	43,946
Accounts payable, accruals and other liabilities		1,170	1,555
Senior Secured Loan - current portion	12	3,978	3,797
BW Energy Non-Recourse Loan - current portion	13	385	4,729
Licence Obligations - current portion		1,166	1,166
Fair value of commodity hedges - current portion	8	-	974
Other current liabilities		2,257	2,292
Corporation tax liability	14	4,399	4,991
Total current liabilities		13,355	19,504
Liabilities directly associated with assets classified as held for sale	5	17,100	16,375
Total Liabilities		77,007	79,825
Total Equity and Liabilities		155,924	152,516

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

		Q1 2020	Q4 2019	Q1 2019
<i>Amounts in USD 000</i>		<i>(Unaudited)</i>		
CASH FLOW FROM OPERATING ACTIVITIES	Note			
Net (loss)/income for the period before tax - continuing operations		9,070	307	3,634
Net (loss)/income for the period before tax - discontinued operations		(2,032)	6,599	(106)
Net (loss)/income for the period before tax - discontinued operations		7,038	6,906	3,528
ADJUSTED FOR:				
Depreciation		1,644	2,756	2,390
Exploration related costs and Operator G&A		93	(219)	114
Impairment and asset write-off/(impairment reversal)		-	(8,000)	-
Loss/(gain) on commodity hedges		(11,226)	2,381	4,183
Net finance costs		767	664	1,223
Share-based payments		240	250	166
Foreign exchange loss/(gain)		-	(313)	(217)
Increase/(decrease) in trade and other payables		151	1,930	(2,879)
(Increase)/decrease in trade and other receivables		3,131	(3,944)	(7,706)
(Increase)/decrease in inventories		4	1,623	898
State share of profit oil		(613)	-	(2,442)
Taxes paid	14	(1,098)	(2,295)	(7)
Net cash (out)/inflow from operations		131	1,739	(749)
CASH FLOW FROM INVESTING ACTIVITIES				
Cash outflow related to acquisition(s)		-	-	(510)
Investment in exploration, production and other assets	7	(4,930)	(5,384)	(2,169)
Net cash (out)/inflow from investing activities		(4,930)	(5,384)	(2,679)
CASH FLOW FROM FINANCING ACTIVITIES				
Gross proceeds from loans and borrowings		-	-	-
Repayment of non-recourse loan	13	(1,408)	-	(1,684)
Repayment of Senior Secured loan	12	(720)	(1,020)	-
Realised gain/(loss) on commodity hedges		1,118	(199)	(96)
Borrowing costs, including arrangement fees		(352)	(224)	(66)
Gross proceeds from Equity Private Placement and Treasury shares		-	16,239	-
Cost of Equity Private Placement and Treasury shares issued		-	(56)	-
Cash cost of equity issue on settlement of RSUs		-	(381)	-
Lease liability payments		(63)	(252)	-
Financial income, net of charges paid		-	-	7
Cash held for Bank Guarantee		-	-	(9,960)
Movement in restricted cash balance		-	-	3
Net cash (out)/inflow from financing activities		(1,425)	14,107	(11,796)
Effect of foreign currency translation adjustment on cash balances		-	-	-
Change in cash and cash equivalents during the period		(6,224)	10,462	(15,224)
Change in cash and cash equivalents - assets held for sale		3	(47)	-
Cash and cash equivalents at the beginning of the period		20,493	10,078	23,367
Cash and cash equivalents at the end of the period		14,272	20,493	8,143

The accompanying notes form an integral part of these condensed consolidated financial statements. Unaudited prior period quarterly comparatives have been restated in accordance with IFRS in order to disclose discontinued operations separately from continuing activities.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

For the quarter ended 31 March 2020
USD 000

	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2020 - (Audited)	458	349,193	122,131	(355,683)	(37,647)	(5,761)	72,691
Net income/(loss) for the period - continuing operations	-	-	-	8,018	-	-	8,018
Net income/(loss) for the period - discontinued operations	-	-	-	(2,032)	-	-	(2,032)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	5,986	-	-	5,986
Employee share options charge/(benefit)	-	-	240	-	-	-	240
At 31 March 2020 - (Unaudited)	458	349,193	122,371	(349,697)	(37,647)	(5,761)	78,917

Attributable to equity holders of the parent

For the quarter ended 31 December 2019
USD 000

	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 October 2019 - (Unaudited)	424	333,425	121,881	(358,846)	(37,647)	(5,761)	53,476
Net income/(loss) for the period - continuing operations	-	-	-	(3,436)	-	-	(3,436)
Net income/(loss) for the period - discontinued operations	-	-	-	6,599	-	-	6,599
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	3,163	-	-	3,163
Share issue for cash - private placement	34	16,205	-	-	-	-	16,239
Transaction costs on share issue	-	(437)	-	-	-	-	(437)
Employee share options charge/(benefit)	-	-	250	-	-	-	250
At 31 December 2019 - (Audited)	458	349,193	122,131	(355,683)	(37,647)	(5,761)	72,691

Attributable to equity holders of the parent

For the quarter ended 31 March 2019
USD 000

	Issued capital	Share premium	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 - continuing operations	-	-	-	(1,417)	-	-	(1,417)
Net income/(loss) for the period - discontinued operations	-	-	-	(106)	-	-	(106)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	(1,523)	-	-	(1,523)
Employee share options charge/(benefit)	-	-	166	-	-	-	166
At 31 March 2019 - (Unaudited)	423	333,093	122,244	(367,396)	(37,647)	(5,762)	44,955

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

The unaudited 2019 Statement of Changes in Equity has been restated in accordance with IFRS in order to disclose discontinued operations separately from continuing activities.

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 unaudited condensed consolidated financial statements of the Group for the period ended 31 March 2020 were authorised for issue by the Board of Directors on 27 May 2020.

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 2019 Annual Report and the Company's Prospectus, published in December 2018. A copy of the 2019 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.

In October 2019, the Company entered into an agreement to divest all its operations in Nigeria to PetroNor, thereby resulting in changes to presentation of the results, operations and assets and liabilities of the disposal group comprising of the Divested Subsidiaries. The results and operations of the Divested Subsidiaries met the criteria of Discontinued Operations under IFRS 5 and have therefore been isolated and removed from "Continuing activities" and re-classified and presented as a separate line item "Discontinued Operations" in the statement of comprehensive income. Comparatives for the periods presented, pertaining to Discontinued Operations, have also been re-classified in accordance with the accounting standards. Furthermore, assets and liabilities pertaining to the Divested Subsidiaries have also been isolated and presented in separate line items in the statement of financial position from the fourth quarter 2019. Details of assets and liabilities held for sale and the Discontinued Operations can be referred to in Note 5 to these interim financial statements.

The coronavirus (Covid-19) pandemic has been declared a global emergency by the World Health Organisation (WHO), and has made countries and organisations, including the Group, to take measures to mitigate risk for communities, employees and business operations. The pandemic continues to progress and evolve, and at this juncture it is challenging to predict the full extent and duration of resulting operational and economic impact for the Company and the Group. Continued development of the pandemic and mitigating actions enforced by health authorities create uncertainty related to key assumptions applied in the valuation of our assets and measurement of our liabilities. These key assumptions include commodity prices, changes to demand for and supply of oil and gas, and the discount rate to be applied.

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. Consequently, the amounts for discontinued operations reclassified to G&A costs for the periods presented is as follows: Q1 2020: gain of USD 10 thousand; Q4 2019: loss of USD 21 thousand, Q1 2019: loss of USD 39 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 2019 Annual Report.

2.2 Principal risks and uncertainties

The Group's activities expose it to a number of risks and uncertainties, which are continuously monitored and reviewed. The main risks and uncertainties are the operational and financial risks described below.

Operational risk

At its current stage of development, Panoro is commercially producing oil and also exploring for and appraising undeveloped known oil and/or natural gas accumulations from its continuing activities in Tunisia and Gabon.

The main operational risk in exploration and appraisal activities is that the activities and investments made by Panoro will not evolve into commercial reserves of oil and gas. The oil price is of significant importance in all parts of operations as income and profitability is and will be dependent on prevailing prices. Significantly lower oil prices will reduce current and expected cash flows and profitability in projects and can make projects sub economic. Panoro operates a commodity hedging program to strategically hedge a portion 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.

Another operational risk factor is access to equipment in Panoro's projects. In the drilling/development phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Panoro to complete projects. Through its operations, Panoro is also subject to political risk, environmental risk and the risk of not being able to retain key personnel.

Financial risk

The Group's activities expose it to a variety of financial risks, mainly categorised as exchange rate and liquidity risk. The Group's risks are continuously monitored and analysed by the management and the Board. The aim is to minimise potential adverse effects on the Group's financial performance.

COVID-19 risks

A global pandemic such as the novel coronavirus (COVID-19) can have a severe negative impact on the Group and its ability to conduct operations. Panoro is managed by a small specialised team through its head office in London and a Branch office in Tunis and, as such, Panoro has limited spare resource capacity in case key staff were to fall ill as a result of a viral infection. The Group has aimed to mitigate the risk by encouraging staff to work from home, the implementation of virtual meetings and minimise any non-critical meetings and interactions as well as limit exposure from travel on public transport.

The travel restrictions and lockdown measures implemented by governments across the world can impact supply chains, movement of key personnel and ability to utilise external contractors and consultants. The impact of the COVID-19 pandemic and the restrictions on movement and travel that have been implemented has had a significant effect on global economic activity and demand for oil during the first and second quarters of 2020. Oil producers have been unable to reduce output at the same pace as demand has fallen resulting in a significant imbalance in supply and demand for oil. As a result of the supply/demand imbalance, oil prices have, on average, fallen by 70 percent since the start of the year and certain crude oil qualities have traded at negative prices, albeit for short periods of time.

The COVID-19 outbreak's impact on the economy and energy prices, and the risk to Panoro's ability to conduct its operations profitably and without disruption is currently subject to significant uncertainty. The lower oil prices will impact Panoro's profitability and cash flows in 2020 and potentially beyond. Given the uncertainty surrounding how long the current negative conditions will prevail, it cannot be ruled out that oil prices remain at or below the current levels and thus have a longer-term impact on the Group's profitability and financial standing. Should lower oil prices persist the risk of an impairment of the Group's oil and gas assets cannot be ruled out.

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2019 Annual Report.

3 SEGMENT INFORMATION

The Group continuing operations are classified into two business segments, being the exploration and production of oil and gas in North Africa (Tunisia) and West Africa (Gabon).

As noted above, from the fourth quarter of 2019, the business in Nigeria is classified as a “Discontinued Operation” and as an asset held for sale. Segment information has therefore been re-arranged in line with reporting requirements for such item.

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

- The North African segment holds the following assets:
 - TPS Assets: ETAP, 51% and Panoro TPS Production GmbH, 49% (29.4%* interest net to Panoro).
 - 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

**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 7.5% working interest in the Dussafu Marin exploration licence in Gabon
- 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.
- Discontinued Operations and assets held for sale:
 - 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.

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.

	Q1 2020	Q4 2019	Q1 2019
OPERATING SEGMENTS - GROUP NET SALES			
	(Unaudited)		
Net average daily production - TPS assets (bopd)	1,178	1,021	1,155
Net average daily production - Dussafu (bopd)	864	900	1,042
Total Group Net average daily production (bopd)	2,042	1,921	2,197
Oil sales (bbls) - Net to Panoro - TPS assets, Tunisia	27,385	96,932	118,490
Oil sales (bbls) - Net to Panoro - Dussafu, Gabon	43,636	113,555	116,150
Total Group Net Sales (bbls) - continuing operations	71,021	210,487	234,640
Discontinued operations			
	(Unaudited)		
Net average daily production - Aje (bopd)	264	194	383
Oil sales (bbls) - Net to Panoro - Aje, Nigeria	63,049	29,522	48,720
OPERATING SEGMENT - NORTH AFRICA			
<i>in USD 000</i>	(Unaudited)		
EBITDA	851	3,534	4,769
Depreciation and amortisation	988	770	820
Segment assets	77,837	69,844	74,851
OPERATING SEGMENT - WEST AFRICA – GABON			
<i>in USD 000</i>	(Unaudited)		
EBITDA	960	3,665	7,820
Impairment of E&E Assets - Charge/(Reversal)	-	-	-
Depreciation and amortisation	610	1,303	626
Segment assets	48,210	49,175	46,713
CORPORATE			
<i>in USD 000</i>	(Unaudited)		
EBITDA	(1,501)	(1,652)	(2,290)
Depreciation and amortisation	46	158	4
Segment assets	10,234	12,572	5,125
TOTAL - CONTINUING OPERATIONS			
<i>in USD 000</i>	(Unaudited)		
EBITDA	310	5,547	10,299
Impairment of E&E Assets - Charge/(Reversal)	-	-	-
Depreciation and amortisation	1,644	2,231	1,450
Segment assets	136,281	131,591	126,689
Nigeria - Discontinued operations			
<i>in USD 000</i>	(Unaudited)		
Net income/(loss) for the period-Discontinued operations	(2,032)	6,599	(106)
Assets classified as held for sale (Note 5)	19,643	20,925	-
Liabilities directly associated with assets classified as held for sale (Note 5)	(17,100)	(16,375)	-

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

	Q1 2020	Q4 2019	Q1 2019
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>		
General and Administrative Costs - Corporate, London and Tunis	1,618	1,864	1,376
Non-Recurring Transaction Costs (4.1)	66	173	-
Total General and Administrative Related Costs	1,684	2,037	1,376

- 4.1 Non-recurring costs during the fourth quarter of 2019 and the first quarter of 2020 related to integration activities and costs incurred for an 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 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations:

On 21 October 2019, the Company entered into a sale and purchase agreement with PetroNor E&P Limited ("PetroNor"), an exploration & production oil and gas company listed on the Oslo Axess, to divest all outstanding shares in its fully owned subsidiaries Pan-Petroleum Services Holding BV and Pan-Petroleum Nigeria Holding BV (together referred to as "Divested Subsidiaries") for an upfront consideration consisting of the allotment and issue of new PetroNor shares with a fixed value of USD 10 million (the "Share Consideration") plus a contingent consideration of up to USD 25 million based on future gas production volumes. PetroNor has an option to pay a portion of the Share Consideration in cash.

The sale transaction is conditional upon execution and completion of the agreements between PetroNor and YFP, the authorisation of the Nigerian Department of Petroleum Resources and the consent of the Nigerian Minister of Petroleum Resources. As a result, the operations of the Group's Divested Subsidiaries have been classified as discontinued operations under IFRS 5. The results of the Nigerian segment for the comparative periods presented have also been carved out of the operating results and presented below as discontinued operations:

	Q1 2020	Q4 2019	Q1 2019
<i>Amounts in USD 000, unless otherwise stated</i>	<i>(Unaudited)</i>		
DISCONTINUED OPERATIONS			
Oil revenue	1,119	1,745	3,263
Total revenues	1,119	1,745	3,263
Operating costs	(2,990)	(2,507)	(2,263)
General and administrative costs	(30)	(52)	(26)
Depreciation, depletion and amortisation	-	(454)	(940)
(Impairment) / reversal of impairment for Oil and gas assets	-	8,000	-
EBIT - Operating income/(loss)	(1,901)	6,731	34
Interest costs net of income	(107)	(108)	(110)
Other financial costs net of income	(24)	(24)	(30)
Net income/(loss) before tax	(2,032)	6,599	(106)
Income tax benefit/(expense)	-	-	-
Net income/(loss) for the period from discontinued operations	(2,032)	6,599	(106)
EARNINGS PER SHARE			
Basic and diluted EPS on profit for the period attributable to equity holders of the parent (USD) from discontinued operations	(0.03)	0.10	(0.00)

Assets held for sale:

Following agreement to sell the Divested Subsidiaries, the Group's interest in such subsidiaries have also been designated as Assets held for sale as of 31 December 2019. The carrying value of the assets and liabilities designated as held for sale at the balance sheet dates presented are summarised below:

	As at 31 March 2020	As at 31 December 2019
Amounts in USD 000	(Unaudited)	(Audited)
Assets held for sale		
Licence and exploration assets	12,179	12,179
Production assets and equipment	7,405	7,405
Crude oil inventory	-	1,294
Trade and other receivables	15	-
Cash and cash equivalents	44	47
Total assets held for sale	19,643	20,925
Liabilities held for sale		
Decommissioning liability	(3,260)	(3,237)
Other non-current liabilities	(7,830)	(7,830)
Accounts payable, accruals and other liabilities	(120)	(99)
Aje Payable - Current portion	(5,890)	(5,209)
Total liabilities directly associated with assets classified as held for sale	(17,100)	(16,375)

At the date of designation for held for sale during 4Q 2019, an assessment was made to determine the fair value of the assets and liabilities of the Divested Subsidiaries. As a result, based on fair value less costs to sell principle, a reversal of historical impairment charges of USD 8 million on account of Aje has been made. The impairment reversal has been allocated in proportion of pre- reversal carrying value of licence and exploration assets and production assets and equipment.

Further details of Aje related payables are available in the 2019 Annual Report on page 59, Note 13.

6 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.

	Q1 2020	Q4 2019	Q1 2019
Amounts in USD 000, unless otherwise stated	Unaudited		
Net profit/(loss) attributable to equity holders - Total	5,986	3,163	(1,523)
Net profit/(loss) attributable to equity holders - Continuing operations	8,018	(3,436)	(1,417)
Weighted average number of shares outstanding - in thousands	68,800	66,765	62,388
Diluted weighted average number of shares outstanding - in thousands	69,679	67,644	63,096
Basic earnings per share (USD) - Total	0.09	0.05	(0.02)
Diluted earnings per share (USD) - Total	0.09	0.05	(0.02)
Basic earnings per share (USD) - Continuing operations	0.12	(0.05)	(0.02)
Diluted earnings per share (USD) - Continuing operations	0.12	(0.05)	(0.02)

At 31 March 2020, there were 878,808 potentially dilutive Restricted Share Units (RSUs) which are included in the calculation of diluted earnings per share (At 31 December 2019: 878,808 potentially dilutive RSUs; at 31 March 2019: 708,723 potentially dilutive RSUs).

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

	Licence interest, Exploration and Evaluation Assets	Production Rights	Development Assets	Production Assets
<i>USD '000</i>				
At 1 January 2020 (Audited)	19,760	28,876	5,915	30,979
Development assets additions / (disposals)	-	-	4,122	-
Adjustments to asset retirement estimates	-	-	-	546
Exploration and evaluation assets additions	248	-	-	-
Production assets additions / (disposals)	-	-	-	492
Impairment (charge)/reversal	-	-	-	-
Transfer to assets held for sale	-	-	-	-
Depreciation/write-off's during the period	-	(604)	(14)	(968)
Balance at 31 March 2020 (Unaudited)	20,008	28,272	10,023	31,049

At 1 January 2019 (Audited)	15,197	31,082	632	41,612
Development assets additions / (disposals)	-	-	5,283	-
Adjustments to asset retirement estimates	-	-	-	681
Exploration and evaluation assets additions	3,622	-	-	-
Production assets additions / (disposals)	-	-	-	254
Impairment (charge) / reversal	13,120	-	-	3,025
Transfer to assets held for sale	(12,179)	-	-	(7,405)
Depreciation/write-offs during the period	-	(2,206)	-	(7,188)
Balance at 31 December 2019 (Audited)	19,760	28,876	5,915	30,979

8 FAIR VALUE OF COMMODITY HEDGES

The Group has a commodity hedging program in place to strategically hedge a portion 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. The hedge instruments used include "zero cost collars" and "commodity swap" contracts to protect the downside in 'Dated Brent' oil price. 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 program 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:

Zero cost collar instruments	Remaining term	Remaining contract amount	Range of average contract prices	Range of average contract prices	Fair value Asset / (Liability)	Fair value Asset / (Liability)
		<i>Bbls</i>	<i>Buy Put (USD/Bbl)</i>	<i>Sell Call (USD/Bbl)</i>	<i>Current (USD '000)</i>	<i>Non-Current (USD '000)</i>
At 31 December 2019 (audited)	Jan 20 - Dec 21	486,864	55	61.32	(888)	(106)
At 31 March 2020 (unaudited)	Apr 20 - Dec 21	450,006	55 - 62	62.35	6,085	2,943

Commodity Swaps instruments	Maturity	Remaining contract amount	Average contract price	Fair value Asset / (Liability)
		<i>Bbls</i>	<i>Settlement price ceiling (USD/Bbl)</i>	<i>Current (USD '000)</i>
At 31 December 2019 (<i>audited</i>)	March 2020	24,000	61.01	(86)
At 31 March 2020 (<i>unaudited</i>)	-	-	-	-

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 March 2020 amounted to USD 14.3 million compared to USD 20.5 million at 31 December 2019. 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 10 below.

10 CASH HELD FOR BANK GUARANTEE

In 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 31 March 2020 and 31 December 2019.

11 SHARE CAPITAL

As of 31 March 2020 and 31 December 2019, the Company had a registered share capital of NOK 3,439,993 divided into 68,799,858 shares, each with a nominal value of NOK 0.05.

12 LOANS AND BORROWINGS – MERCURIA SENIOR SECURED LOAN

Current and non-current portion of the outstanding balance of the Mercuria Senior Secured facility as of the date of the statement of financial position attributable to Panoro's 60% ownership is as follows:

	31 March 2020	31 December 2019
<i>USD 000</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Senior Loan facility - Non-current	12,510	13,380
Senior Loan facility - Current	3,750	3,600
Accumulated interest accrued - Current	325	352
Total Senior Loan facility	16,585	17,332
Unamortised borrowing costs - Non-current	(321)	(289)
Unamortised borrowing costs - Current	(97)	(155)
Total Unamortised borrowing costs	(418)	(444)
Total Senior Loan facility	16,167	16,888

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 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.

Subject to certain waivers in place, the Group was not in breach of any financial covenants as at any of the balance sheet dates presented.

Un-amortised borrowing costs include structuring fees and directly attributable third-party costs. During the current quarter, these costs are expensed using an effective interest rate of 7.4% per annum over the remaining term of the facility (effective interest rate for quarter ended 31 December 2019: 9.8%).

13 LOANS AND BORROWINGS - 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. The balance outstanding at each balance sheet date presented is as below:

	31 March 2020	31 December 2019
<i>USD 000</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
BW Energy non-recourse loan - Non-current	6,442	3,380
BW Energy non-recourse loan - Current	385	4,729
Total carrying value	6,827	8,109

The non-recourse loan is repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses. The repayment period has started after achieving production on Dussafu and will be repaid from Panoro's portion of upcoming crude oil sales. During the repayment phase, Panoro will still be entitled to its share of profit oil from the Dussafu operations.

For the purpose of classification in the Group's statement of financial position, USD 6.4 million of the entire loan balance has been categorised in non-current portion due to expected low oil price assumptions. Since the repayment of the loan is linked to production and, impacted by oil prices and operating expenses, judgement has been exercised in estimation of these values. The actual repayments may therefore vary from the estimates in current and non-current portions recognised as of the date of the statement of financial position.

14 INCOME TAX

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

	Q1 2020	Q4 2019	Q1 2019
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>		
Effect of taxes under PSA arrangements - Gabon	613	-	2,442
Current income tax charge - Tunisia	507	1,681	2,574
Other Corporate	-	38	7
Deferred tax charge/(credit)	(68)	2,024	28
Total tax charge	1,052	3,743	5,051

Corporation tax liability of USD 4.4 million at 31 March 2020 and USD 5 million at 31 December 2019 comprised entirely of taxes due in Tunisia on income from TPS assets.

Deferred tax liability recognised in 2019 has arisen on temporary differences between tax base and accounting base of the production assets in Tunisia and has been calculated using the effective tax rate applicable to the concessions.

OTHER INFORMATION

GLOSSARY AND DEFINITIONS

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bopd	Barrels of oil per day
Kbopd	Thousands of barrels of oil per day
Bcf	Billion cubic feet
Bm³	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
MMm³	Million cubic meters
Tcf	Trillion cubic feet
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EBIT	Earnings before Interest and Taxes
TVDSS	True Vertical Depth Subsea

DISCLAIMER

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



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