



## **Panoro Energy Announces Transformational Acquisition of Producing Assets in West Africa and Contemplated Equity Private Placement of US\$ 70 million**

Oslo, 9 February 2021 - Panoro Energy ASA (the “**Company**” or “**Panoro**”) is pleased to announce that it has entered into agreements with Tullow Oil plc and its subsidiaries (“**Tullow**”) to acquire high-quality oil producing assets offshore Equatorial Guinea and Gabon for an initial aggregate cash consideration of up to US\$ 140 million and aggregate contingent consideration of up to US\$ 40 million, based on an effective date of 1 July 2020 (collectively the “**Acquisitions**”).

### **Highlights**

- Acquisitions of 14.25% working interest (“**WI**”) in Block G, offshore Equatorial Guinea, and an additional 10% WI in Dussafu Marin Permit, offshore Gabon, each from subsidiaries of Tullow Oil plc for initial combined cash consideration of up to US\$ 140 million
- Transformative and highly accretive transactions firmly establishing Panoro as a leading Africa focussed independent listed E&P
- Purchased at US\$ 5.6 per 2P barrel (based on initial consideration) and US\$ 2.6 per 2P+2C barrel
- Company size increased 3-4x, with the Acquisitions adding 6,900 bopd net WI production (estimated 2021) and 25 MMbbl net WI 2P reserves<sup>1</sup>
- Reserve life of acquired assets ~13 years, with a payback before capex of less than 2.5 years based on forward curve<sup>2</sup>
- To be financed through a combination of a contemplated US\$ 70 million equity private placement (the “**Private Placement**”) and an up to US\$ 90 million underwritten debt facility by a company within the Trafigura group of companies (“**Trafigura**”)
- Post the Acquisitions and the related equity and debt financing, Panoro is expected to be fully financed for all foreseeable capex and production ramp-up to ~12,000 bopd<sup>2</sup> net
- Strong free cash flow, positioning the Company for dividend payments from 2023<sup>2</sup>

*“These truly transformational Acquisitions will establish Panoro as one of the world’s leading independent E&P companies focussed on Africa. We are purchasing high-quality, low operating cost assets, substantial production and material reserves in West Africa. These are highly accretive assets that deliver a major change in our operational and financial profile, and position the Company well to generate sustainable long-term value for our shareholders.”* commented John Hamilton, CEO Panoro Energy ASA.

*“We welcome the opportunity to increase our exposure in Dussafu, offshore Gabon, where Panoro has been an integral part of its success since 2007. In Equatorial Guinea we are new entrants and look forward to excellent cooperation and working with the field partners and the Ministry of Mines and Hydrocarbons to grow further in the country. We look forward to realising the significant upside potential that we see in these assets through an active and fully funded work programme.”*, added John Hamilton.

### **The Acquisitions**

Panoro will acquire i) a 14.25% WI in Block G, offshore Equatorial Guinea (the “**EG Acquisition**”) and ii) a 10% additional WI in Dussafu Marin Permit (“**Dussafu**”) offshore Gabon (the “**Dussafu Acquisition**”) (collectively, the “**Assets**”). Completion of the EG Acquisition and the Dussafu Acquisition, respectively, are not inter-dependent.

The Assets comprise seven high quality, non-operated oil production fields within Panoro’s core area with combined additional net production of 6,900 bopd (estimated 2021) and net 2P reserves of 25 MMbbl<sup>1</sup>. The Assets have excellent operators, low operating costs and significant upside potential with 2C resources of 29 MMbbl and material exploration potential. Through the Acquisitions, the Company will increase its net interest in its core asset Dussafu from 7.5% to 17.5% and achieves significant diversification through the entry into Block G, offshore Equatorial Guinea, which comprises six producing offshore fields through the Ceiba and Okume Complex assets. The EG Acquisition represents a new country entry for Panoro. Following the Acquisitions, Panoro will hold assets in Gabon, Equatorial Guinea, Tunisia, Nigeria (prior to completion of the sale of its interests in Aje to PetroNor) and South Africa<sup>3</sup> and will increase its 2021e production and 2P reserves by 4x and 3x respectively. Through the Acquisitions, Panoro will be firmly established as one of the leading independent E&P companies focussed on Africa.

The Acquisitions are conditional on Panoro shareholders approving a contemplated US\$ 70 million equity Private Placement and will also be financed through an up to US\$ 90 million debt facility underwritten by Trafigura (jointly the “**Financing**”). Following the Acquisitions and the Financing, Panoro is expected to be fully funded through all foreseeable capex and expects to be in a position to pay dividends after first oil from the Hibiscus/Ruche development in Gabon in 2023<sup>2</sup>. In addition to the US\$ 90 million debt facility, Trafigura are also providing a US\$ 20 million working capital facility and a US\$ 50 million accordion option.

The Acquisitions are projected to:

- Achieve pay back before capex in less than 2.5 years
- Position Panoro to generate 2021 operating cash flow after tax of approximately US\$ 80 million (based on US\$ 55 per barrel, prior to capex, base case lifting date assumptions)
- Finance all foreseeable capex and debt repayments, allowing dividend capacity from 2023
- Increase the Company’s net WI 2P reserves, 2C resources and 2021e production by approximately 3x, 8x and 4x respectively
- Be purchased at US\$ 5.6 per 2P barrel (based on initial consideration) and US\$ 2.6 per 2P+2C barrel
- Be materially accretive on all standard valuation metrics used in the industry
- Not result in any material increase to Panoro’s corporate cost base, despite transformational nature of Acquisitions

### **Block G, Equatorial Guinea (EG Acquisition)**

Panoro and its fully owned subsidiary Panoro Energy Holding B.V. have entered into an agreement with Tullow and Tullow Overseas Holdings B.V. to acquire 100% of the shares of Tullow Equatorial Guinea Limited (“**TEGL**”) for an initial cash consideration of US\$ 89 million based on a locked box mechanism as at 1 July 2020 and subject to a customary locked box indemnity for a period of 6 months after completion. TEGL holds a 14.25% non-operated WI in Block G that contains the Ceiba and Okume Complex assets, offshore Equatorial Guinea (the “**EG Assets**”). The EG Assets comprise six producing oil fields in water depths of 50-850 metres, approximately 35 kilometres from shore. Based on a competent person’s report

prepared by TRACS International Limited, the EG Assets hold net WI 2P reserves of 14.2 MMbbl and net WI 2C resources of 25.6 MMbbl as of 30 June 2020. Current net production is approximately 4,500 bopd, with a potential to grow - close to 8,000 bopd net in 2023-25 driven by facility upgrades, well workovers, perforation of behind pipe zones and infill drilling.

Block G is operated by Trident Energy (“**Trident**”) with a 40.375% WI and other non-operated joint venture partners include Kosmos Energy (“**Kosmos**”) with a 40.375% WI and GEPetrol, the Equatorial Guinea national oil company, with a 5% revenue interest. Trident and Kosmos acquired their interest from Hess in 2017 and have created a first-class operating partnership, with Trident being responsible for production operations and optimization, and Kosmos for exploration and subsurface evaluation. Backed by Warburg Pincus, Trident is a highly proactive operator specializing in mid-life assets with a strong focus on achieving growth from untapped potential and efficiencies. Trident is mostly led by former Perenco executives, a global leading operator of mid-life E&P assets. The Kosmos team, which originally discovered and managed the Ceiba and Okume fields, has a strong track record as proven oil finders and brings a deep, long term understanding of the subsurface performance and nearby exploration potential at the EG Assets.

With first oil in 2000 (Ceiba) and 2006-11 (the Okume Complex), and combined production to date of almost 450 MMbbl gross, the EG Assets are well-established assets with a long production history and track record. With an estimated break-even of <US\$ 25/bbl due to low opex (estimated US\$ 8-12/bbl in 2021-25) and limited capex requirements, the EG Assets are well positioned to weather any potential prolonged period of low and volatile oil prices.

With its substantial remaining reserves and contingent resources, the EG Assets have a potential to produce well beyond the current license expiry (2029 for Ceiba and 2034 for the Okume Complex) and Panoro sees the technical potential to continue production from the EG Assets until 2050 and beyond.

Through this transformational acquisition, Panoro adds high quality, low cost and well managed oil producing assets with substantial upside potential. In addition, it establishes Equatorial Guinea as a new core geographical area for Panoro.

### *Ceiba and Okume Complex field details*

The Ceiba field was discovered in 1999 and is located in 600-800 metres of water depth on the slope of the southern Rio Muni Basin approximately 35 kilometres offshore. Oil production commenced in November 2000, with the field being developed in phases with production wells tied back to the Ceiba FPSO through a system of six subsea manifolds and flowlines. The produced liquids are processed on the Ceiba FPSO for export. The field has 16 active production wells and 10 water injectors. Up to the end of June 2020, the field had produced a total of 204 MMbbl.

The Okume Complex consists of five separate oil fields, Okume, Ebano, Oveng, Akom North and Elon, that were discovered in 2001-2. All fields are tied back to a central processing facility (CPF) located at one of the Elon platforms. The processed oil from the CPF is transported via a 25 kilometres pipeline to the Ceiba FPSO for export. The Okume Complex fields have 32 active production wells and 12 water injectors. Up to the end of June 2020, the Okume Complex fields have produced a total of 237 MMbbl.

### *Consideration*

The consideration for the EG Acquisition consists of an initial cash consideration of US\$ 89 million based on a locked box mechanism as at 1 July 2020 and subject to a customary locked

box indemnity for a period of 6 months after completion, as well as a contingent consideration of up to US\$ 16 million (the “**EG Contingent Consideration**”). In addition, Tullow will also be entitled to a US\$ 5 million deferred consideration, payable on the later of (a) completion of the EG Acquisition, or (b) within 2 business days of completion of the Dussafu Acquisition (as described below).

The EG Contingent Consideration is up to US\$ 16 million in aggregate payable only in years where the average annual net production of the acquired interests is in excess of 5,500 bopd. Once this initial net production threshold has been reached, in that year, and for the four consecutive subsequent annual periods, annual contingent consideration of US\$ 5.5 million will be payable to Tullow provided that the production threshold is met in such annual period and the average daily Dated Brent oil prices in respect of the annual period is in excess of US\$ 60/bbl, subject to the aforementioned cap of US\$ 16 million.

The completion of the EG acquisition is expected during H1 2021.

### **Dussafu Acquisition**

Panoro and its fully owned subsidiary Pan Petroleum Gabon BV, have entered into an agreement with Tullow and Tullow Oil Gabon SA to acquire a 10% WI in the Dussafu Marin Permit, offshore Gabon for an initial cash consideration of US\$ 46 million based on an effective date of 1 July 2020 which is subject to customary working capital and other customary adjustments to be made at completion. Panoro currently holds 7.5% WI in Dussafu and upon completion of the Dussafu Acquisition, the Company will increase its WI to 17.5%. The Dussafu Acquisition will significantly increase Panoro’s exposure to the near-term production and considerable upside potential from this high-quality asset. Following completion of the Dussafu Acquisition, Panoro’s net WI 2P reserves at Dussafu will be approximately 19 MMbbl, and net WI production from the field is expected to increase from 1,200 bopd to approximately 2,800 bopd (2021 operator estimate).

Having been a partner in Dussafu since 2007, Panoro has a deep knowledge of the block and its potential. Located in a prolific fairway offshore Gabon, Dussafu has an outstanding track record with 15 consecutive successful well penetrations and an increase in resource base from 7 MMbbl in 2010 to +150 MMbbl in 2019, excluding the +100 MMbbl additional resource potential identified on the Hibiscus field during 2020.

Dussafu is currently producing approximately 15,000 bopd gross from four wells at the Tortue field, which is expected to increase to ~20,000 bopd during 2021 with the addition of two additional Tortue wells. Through the Hibiscus/Ruche development, consisting of the Hibiscus and Ruche fields, production is expected to grow to ~40,000 bopd in 2023 with further growth potential from Hibiscus/Ruche phase 2.

A minimum of one exploration well is planned to be drilled in Q2 2021 into the greater Hibiscus structure, with another optional well being considered for Q3.

As with the EG Assets, Dussafu benefits from a break-even oil price of <US\$ 25/bbl with a substantial production growth ahead.

### **Consideration**

The consideration for the Dussafu Acquisition consists of an initial cash consideration of US\$ 46 million (to be adjusted at completion for working capital and other customary adjustments)

and a contingent consideration of up to US\$ 24 million (the **“Dussafu Contingent Consideration”**).

The effective date of the Dussafu Acquisition is 1 July 2020 and completion is expected during H1 2021.

The Dussafu Contingent Consideration of up to US\$ 24 million may be payable once commercial production commences on Hibiscus and Ruche and achieves daily production equal to or greater than 33,000 bopd gross over any 60-day continuous period. Once this milestone has been met, annual contingent consideration will apply to that year and to each of the subsequent four years where the average daily Dated Brent oil price is in excess of US\$ 55 per barrel, subject to the US\$ 24 million cap. Where the oil price threshold has been met, the Dussafu Contingent Consideration payable for that year will be based on 15% of net free cashflow after all taxes, operating and capital costs from the acquired 10% WI. The contingent payment will be capped for any year at US\$ 5 million.

Julien Balkany, Chairman of Panoro added: *"These two very attractive and highly value accretive acquisitions perfectly complement our existing upstream E&P portfolio in West Africa and represent a major step in the execution of Panoro's ambitious growth strategy to continue building a balanced full-cycle E&P company focused on Africa. We are proud and excited to strengthen our position in Gabon and to enter Equatorial Guinea and intend to deliver strong returns for all the stakeholders involved."*

## **Funding of the Acquisitions**

Trafigura, one of the world's leading independent commodity trading and logistics houses is providing a fully underwritten acquisition finance loan facility of up to US\$ 90 million to Panoro to partially finance the Acquisitions. The loan will be made available in two tranches, Tranche A of up to US\$ 55 million in respect of the EG Acquisition and Tranche B of up to US\$ 27 million in respect of the Dussafu Acquisition; provided that Tranche B shall automatically increase to up to US\$ 35 million upon the completion of the EG Transaction. Tranche A and Tranche B can be drawn separately and are not conditional on each other. Each loan will amortise over a period of 5 years, and carries an annual interest rate of 3M LIBOR plus 7.5%. Amongst other fees under the terms agreed, the loan facility is being made available against the issuance of US\$ 562,500 worth of Panoro shares issued in conjunction with, and in addition to the shares issued in, the Private Placement. As part of this transaction, Trafigura will also provide (i) in addition to the acquisition financing facilities, a working capital facility of up to US\$ 20 million to address the irregular nature of crude liftings; and (ii) crude oil marketing. Panoro and Trafigura have signed a binding commitment letter for this debt financing subject to long form financing documentation and certain customary conditions precedent being fulfilled. An accordion option for an additional US\$ 50 million is included alongside (and in addition to) the acquisition finance facilities. There is no long-term oil price hedging obligation, although Panoro will seek to hedge a portion of near term production to manage price risk for its lifting schedule.

In addition, as separately announced today, Panoro is launching the Private Placement where the net proceeds will be used to partially finance the Acquisitions, and related fees and expenses as well as for general corporate purposes. The Company's two largest shareholders, Sundt AS and Kistefos AS, have committed to subscribe, and will be allocated offer shares, for an amount of NOK 100 million and NOK 85 million (USD 10 million) respectively, which corresponds to more than their pro-rata share of the Private Placement. In the event that one or both Acquisitions do not close, the net proceeds will (in whole or in part) be used for general corporate purposes.

The Private Placement will trigger a requirement to publish a prospectus, which will include pro forma financial information with respect to the Acquisitions. As Panoro is also proposing to include a subsequent offering, the prospectus will be a joint listing and offering prospectus expected to be published shortly after the extraordinary general meeting of Panoro, scheduled to be held on or around 3 March 2021.

### **Conditions precedent to the Acquisitions**

The Dussafu Acquisition is subject to customary governmental notifications and non-objection to the transaction, and joint venture consents. Each Acquisition is subject to Panoro's shareholders approving the Private Placement and completing the Trafigura acquisition finance loan facility. In addition, the EG Acquisition is subject to Tullow's general meeting of shareholders approving the disposal of their EG subsidiary. There are no pre-emptive rights for the Acquisitions.

Under each Acquisition agreement, Panoro or the relevant Tullow seller, are required to pay to the other a break fee of US\$ 2 million if it fails to carry out its obligations with respect to the satisfaction of the conditions precedent or fails to undertake its completion obligations.

### **Expected timetable of key events**

EVENT	EXPECTED TIMING
Commencement and close of Book-build period Private Placement	Commencement of book-building: 9 February 2021  Expected close: 10 February 2021
Panoro EGM	On or around 3 March 2021
Publication of prospectus	Expected shortly after the date of the EGM
Execution of Financing	Expected on or about the date of the EGM
Date of Tullow general meeting of shareholders	Fifteen clear days after issuance of Tullow's Class 1 circular and meeting notice
Completion under the Acquisition Agreements	Expected during H1 2021

No agreements for the benefit of members of the board or management of Panoro have been or will be entered into in connection with the Acquisitions.

Mildwaters Consulting LLP and Advokatfirmaet Schjødt have acted as legal counsel to Panoro in connection with the Acquisitions.

A corporate presentation will be available shortly on Panoro's website [www.panoroenergy.com](http://www.panoroenergy.com) and the Company will hold a webinar presentation for Investors at 8.30am CET on 10 February 2021.

The webinar presentation can be accessed through registering at the link below and the online event will be equipped with features to ask live questions. Joining instructions for participating online or through using local dial-in numbers will be available upon completion of registration.

Date and Time:	10 February 2021, 08:30 .a.m. CET
Registration:	<a href="https://register.gotowebinar.com/register/5255107441268667664">https://register.gotowebinar.com/register/5255107441268667664</a>  <i>After registering, participants will receive a confirmation email containing information about joining the webinar. Participants can use their telephone or computer microphone and speakers (VoIP).</i>

## Notes

- 1) Estimates per the Competent Person's Reports (CPR) from TRACS International Limited (TRACS) and Netherland, Sewell & Associates Inc (NSAI).
- 2) Management estimates based on prevailing oil prices.
- 3) The Aje asset in Nigeria is in the process of being divested to PetroNor E&P; South Africa is subject to completion of transaction.

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## About Panoro Energy

Panoro Energy ASA is an independent exploration and production company based in London and listed on the main board of the Oslo Stock Exchange with the ticker PEN. Panoro holds production, exploration and development assets in Africa, namely the Dussafu License offshore southern Gabon, OML 113 offshore western Nigeria (held-for-sale, subject to completion), and the TPS operated assets, Sfax Offshore Exploration Permit and Ras El Besh Concession, offshore Tunisia. Subject to completion of certain conditions, Panoro has also farmed-into an exploration Block 2B, offshore South Africa.

For more information visit the Company's website at [www.panoroenergy.com](http://www.panoroenergy.com).

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