Panoro Energy

Trading and Financial Update
Third Quarter 2022

30 November 2022

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ABOUT PANORO

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 a producing interest in Block-G, offshore Equatorial Guinea, the Dussafu License offshore southern Gabon, the TPS operated assets, Sfax Offshore Exploration Permit and Ras El Besh Concession, offshore Tunisia and interests in exploration Block 2B and TCP 218, South Africa.

HIGHLIGHTS, EVENTS AND UPDATES

Third Quarter 2022 Highlights and Events

Corporate and Financial Update

- Q3 was a record quarter for Panoro with reported revenue of USD 96.1 million and EBITDA of USD 68.4 million driving a net quarterly profit of USD 35.4 million
- Revenue for the first nine months therefore increased to USD 117.8 million with EBITDA for the nine months standing at USD 89.2 million and net profit 13.9 million
- The Company recognises revenue when liftings occur. Total crude oil volumes lifted and sold in Q3 were 880,896 barrels at an average realised price of USD 105.5 per barrel after customary price adjustments and associated fees
- Consequently, total crude oil volumes lifted and sold in the first nine months were 1,039,797 barrels at an average realised oil price of USD 105.7 per barrel after customary price adjustments and associated fees
- Cash flow from operations for Q3 was USD 65.2 million and for the nine months USD 78.8 million against capital expenditure year-to-date of USD 40.3 million
- Cash at bank at 30 September was USD 34.1 million
- In October, post period end, Panoro completed its scheduled lifting of 647,111 barrels in Gabon resulting in proceeds to the Company of approximately USD 59 million. This lifting brings the aggregate volume of crude oil lifted and sold by Panoro year-to-date to 1,686,908 barrels at an average realised price of USD 100.2 per barrel after customary price adjustments and associated fees
- Deleveraging continues with gross debt at 30 September of USD 82.4 million after principal repayments of USD 15.6 million were made in the first nine months. Further repayments totalling USD 4 million are anticipated to be made prior to year end
- Company largely unhedged, with legacy hedges of 600 bopd rolling off at the end of December 2022
- Working interest production for the first nine months averaged approximately 7,700 bopd
- Q3 working interest production of approximately 7,300 bopd was affected by pump replacements in both Equatorial Guinea and Tunisia (since restored)
- Production expected to return to the 8,000 bopd level around the year end and build to over 12,500 bopd during the course of 2023
- Maiden dividend paid in August with proceeds from the sale of Panoro's interest in OML 113 offshore Nigeria to PetroNor E&P ASA ("PetroNor"). USD 10 million upfront consideration received in the form of 96,577,537 shares in PetroNor distributed as a dividend in specie to Panoro shareholders

Shareholder Returns and Capital Allocation

Background

Panoro Energy is on a trajectory that is expected to lead to a greater than 50 per cent increase in production over the coming 12 months, with further production growth anticipated in subsequent periods from a deep inventory of organic opportunities already within the existing portfolio. While investing to add capital value for shareholders remains an integral part of Panoro's strategy the Company is also committed to initiating a sustainable shareholder returns policy at the earliest possible time, whilst preserving sufficient cash balances to fund its ongoing capital expenditure and, against the backdrop of rising interest rates, repayment of its debt.

Looking ahead to 2023 principal production growth will come with the delivery of the Hibiscus Ruche Phase I development offshore Gabon at the Dussafu Marin Permit. The project comprises six new production wells scheduled to come onstream sequentially starting around the end of the first quarter. The project is aiming to increase production at Dussafu Marin from the current gross rate of around 10,400 bopd towards 40,000 bopd when all six new wells are onstream in Q4.

In Equatorial Guinea the Block G partners have entered into a rig contract for the next drilling campaign which is expected to commence in the second half of 2023 and comprise up to three infill production wells which are expected to be brought online in 2024.

Capital expenditure net to Panoro for the above projects is expected to be USD 65-70 million during 2023.

Shareholder Return Policy

Taking these capital projects into account and a range of other factors including the macro environment, current oil prices, cash flow profile of the asset base, balance sheet and liquidity requirements of the business, consistent with its strategy to create and deliver shareholder value, the Board of Panoro has approved the adoption of a shareholder returns policy. Accordingly, the Company will commence dividend payments in 2023 with its inaugural cash dividend to be declared at its Q4 2022 results in February 2023 and paid shortly thereafter in accordance with the following 2023 shareholder returns policy:

- USD 20 million core dividend paid on a quarterly basis in cash weighted towards H2 and subject to average oil price realisation remaining above USD 80 per barrel after the effects of any hedging
- Target distribution for 2023 of USD 30 million subject to higher oil price realisation of USD 90 per barrel being achieved for the year after the effects of any hedging. As operating and capital costs for 2023 are largely fixed, this USD 10 per barrel price increment offers scope for significant additional free cash flow, providing for an up to USD 10 million additional capital return in the form of a cash payment, share buyback or combination thereof in addition to the core dividend
- In accordance with our clear value driven capital return strategy, should an average oil price realisation of USD 100 per barrel be achieved for the year after the effects of any hedging, Panoro will seek to return to shareholders a substantial portion of the excess free cash flow generated during the calendar year either as a discretionary special dividend, share buyback or combination thereof in addition to any core dividend and additional capital return
- The NOK equivalent dividend will be determined by prevailing currency exchange rates around the time of declaration
- At all times, the discretionary use of share buybacks will be evaluated in combination with dividends, using the previously approved authorities. The buy-back resolution will be proposed for renewal at the May 2023 AGM

Liability Management

Panoro expects to also repay a similar amount of approximately USD 20 million in debt principal repayments during 2023, keeping a balance between return of capital to shareholders and debt repayments where possible. Similarly, should oil price realisations exceed USD 80 per barrel acceleration of debt repayment through additional repayments is anticipated.

In line with its strategy Panoro will continue to selectively undertake exploration and appraisal activities that can offer meaningful upside with a modest financial exposure and will maintain an opportunistic stance in pursuit of value accretive acquisitions in the future.

Operations Update

Equatorial Guinea – Block G (Panoro 14.25%)

- Working interest production for the first nine months averaged approximately 4,560 bopd (gross production 31,980 bopd)
- Planning for the next phase of development drilling is underway. In late August the joint venture partners entered into a rig contract for up to three infill wells at Block G commencing in H2 2023
- Operator Trident Energy is undertaking a workover programme at the Okume Complex and in November completed the second electrical submersible pump ("ESP") installation scheduled in 2022 which is expected to support current production levels through year end into 2023
- Various routine maintenance and upgrade projects progressed during quarter

- On 20 October Panoro announced that it has agreed to farm-in to the Kosmos Energy operated Block S offshore Equatorial Guinea for a 12 per cent non-operated participating interest. The current joint venture partnership at Block S is Kosmos Energy (40 per cent and operator), Trident Energy (40 per cent) and GEPetrol (20 per cent). Panoro's agreed farm-in is on the basis that it will acquire a 6 per cent participating interest from each of Kosmos Energy and Trident Energy, respectively (12 per cent in aggregate). Panoro's farm-in is subject to customary approvals
- The Akeng Deep exploration well is planned at Block S in 2024 to test a play in the Albian, targeting an estimated gross mean resource of approximately 180 million barrels of oil equivalent in close proximity to existing infrastructure

Gabon – Dussafu Marin Permit (Panoro 17.5%)

- Working interest production for the first nine months averaged approximately 1,910 bopd (gross production 10,920 bopd)
- The Operator is on track to increase gas lift capacity for the existing wells at Tortue from Q1 2023. The new gas lift compressor has arrived in Gabon with installation on the BW Adolo FPSO in December
- Development of the Hibiscus / Ruche Phase I project is progressing to plan
- In late September the BW MaBoMo offshore production facility arrived in Gabon on schedule. The production facility has since been installed on site and preparations are underway for future drilling operations and for the tie-in of the export pipeline connecting the BW MaBoMo to the BW Adolo FPSO. Twenty kilometres of the subsea pipeline has now been installed, with final connections planned for year end
- The Borr Norve jack up drilling rig is on schedule to commence drilling at the Hibiscus field in January with first oil expected around the end of Q1 2023. The BW Adolo FPSO is being prepared to receive oil from BW MaBoMo from end-February

Tunisia – TPS Assets (Panoro 29.4%)

- Working interest production for the first nine months averaged approximately 1,200 bopd (gross production 4,090 bopd)
- The TPS team have completed workovers replacing two failed ESP's, there has in addition been a production optimisation campaign across the asset to boost well performance which has lifted Q4 gross production to date to an average of approximately 4,600 bopd
- New production opportunities include the completion of the Douleb reservoir in GUE-10AST expected in the coming months and perforation and stimulation activities on three further Cercina wells now scheduled for Q2 / Q3 next year

South Africa (Panoro: 12.5% in Block 2B, 100% in TCP)

- In August Panoro announced it had been awarded a 100 per cent interest in Technical Co-operation Permit ("TCP") 218 onshore northern Free State province, South Africa. Panoro has commenced a 12 month study to evaluate the Helium and natural gas prospectivity of the TCP area, after which it has the option to apply for an Exploration Right
- The Gazania-1 exploration well located at Block 2B offshore the Northern Cape in Orange Basin, South Africa, was safely drilled without incident to a depth of 2,360 metres. The well did not encounter commercial hydrocarbons and will now be plugged and abandoned. Further analysis and integration of the well data will allow the JV to determine the next steps on the Block

FINANCIAL INFORMATION

The financial information set out below is intended as a high level update of the results and financial position of Panoro. This information is unaudited and has been prepared using the same accounting policies and principles applied to preparation of the Group's 2021 Annual report.

Condensed Consolidated Statement of Comprehensive Income

Q3 2021	Q2 2022	Q3 2022		YTD 2022	YTD 2021
(Unaudited)	*(Unaudited)*	*(Unaudited)*	*Amounts in USD 000*	*(Unaudited)*	*(Unaudited)*
3,723	5,541	96,079	Total revenues	117,770	38,630
(874)	1,344	(25,149)	Operating expenses *	(20,992)	(1,809)
(1,371)	(2,097)	(2,567)	General and administrative costs	(7,578)	(7,139)
1,478	**4,788**	**68,363**	**EBITDA**	**89,200**	**29,682**
(8,636)	(8,703)	(8,450)	Depreciation, depletion and amortisation	(26,726)	(18,200)
(2,340)	-	-	Gain on acquisition of business	-	46,121
(377)	(385)	(1,187)	Other non-operating items	(1,941)	(854)
(9,875)	**(4,300)**	**58,726**	**EBIT - Operating income/(loss)**	**60,533**	**56,749**
(3,731)	(5,368)	(2,499)	Financial costs net of income	(16,177)	(11,321)
(13,606)	**(9,668)**	**56,227**	**Profit/(loss) before tax**	**44,356**	**45,428**
(5,957)	(3,885)	(21,161)	Income tax expense	(31,763)	(10,511)
(19,563)	**(13,553)**	**35,066**	**Net profit/(loss) from continuing operations**	**12,593**	**34,917**
(329)	1,126	297	Net income/(loss) from discontinued operations	1,258	(831)
(19,892)	**(12,427)**	**35,363**	**Total comprehensive income/(loss) for the period (net of tax)**	**13,851**	**34,086**
			NET INCOME /(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:		
(19,892)	(12,427)	35,363	Equity holders of the parent	13,851	34,086
			TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:		
(19,892)	(12,427)	35,363	Equity holders of the parent	13,851	34,086
			EARNINGS PER SHARE		
(0.18)	(0.11)	0.31	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Total	0.12	0.48
(0.17)	(0.12)	0.31	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Continuing operations	0.11	0.48

* The only lifting for the year to date at Block G, Equatorial Guinea occurred during the third quarter, resulting in increased crude oil inventory and underlift positions at 30 June 2022 with a reversal in quarter three. Crude oil inventory and under lift movements form part of cost of sales and are valued using a cost per barrel that includes operating costs and depreciation, resulting in in negative cost of sales during periods of limited or no liftings.

Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful non-GAAP financial 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:

Q3 2021	Q2 2022	Q3 2022	*Amounts in USD 000*	YTD 2022	YTD 2021
(13,606)	(9,668)	56,227	Net income/(loss) before tax - continuing operations	44,356	45,428
377	385	429	Share based payments	1,183	854
7	681	204	Non-recurring costs	984	1,142
-	-	758	Loss/(gain) on investment	758	-
2,340	-	-	Gain on acquisition/disposal of business	-	(46,121)
427	(622)	(3,943)	Unrealised (gain)/loss on commodity hedges	(1,431)	4,636
(10,455)	**(9,224)**	**53,675**	**Underlying operating profit/(loss) before tax**	**45,850**	**5,939**

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.

Condensed Consolidated Statement of Financial Position

Amounts in USD 000	As at 30 September 2022 *(Unaudited)*	As at 30 June 2022 *(Unaudited)*	As at 31 December 2021 *(Audited)*
Tangible and intangible assets	468,955	462,092	455,552
Other non-current assets	113	122	135
Total Non-current assets	**469,068**	**462,214**	**455,687**
Inventories, trade and other receivables	55,038	60,327	75,433
Other current assets	311	-	-
Cash and cash equivalents	34,138	30,661	24,532
Deferred tax assets	-	-	-
Total current assets	**89,487**	**90,988**	**99,965**
Assets classified as held for sale	-	29,456	29,015
Total Assets	**558,555**	**582,658**	**584,667**
Total Equity	**200,054**	**174,682**	**195,439**
Decommissioning liability	143,499	142,610	140,839
Loans and borrowings	59,175	70,721	77,689
Other non-current liabilities	11,794	12,318	13,259
Deferred tax liabilities	66,904	60,683	74,109
Total Non-current liabilities	**281,372**	**286,332**	**305,896**
Loans and borrowings - current portion	23,229	17,714	19,221
Oil revenue advances	-	35,000	-
Trade and other current liabilities	11,678	19,576	26,754
Current and deferred taxes	42,222	29,601	17,018
Total Current liabilities	**77,129**	**101,891**	**62,993**
Liabilities directly associated with assets classified as held for sale	-	19,753	20,339
Total Liabilities	**358,501**	**407,976**	**389,228**
Total Equity and Liabilities	**558,555**	**582,658**	**584,667**

Condensed Consolidated Statement of Changes in Equity

For the nine months ended ***30 September 2022*** *Amounts in USD 000*	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
	Attributable to equity holders of the parent						
At 1 January 2022 (Audited)	**721**	**427,496**	**122,324**	**(311,694)**	**(37,647)**	**(5,761)**	**195,439**
Net income/(loss) for the period - continuing operations	-	-	-	(22,473)	-	-	(22,473)
Net income/(loss) for the period - discontinued operations	-	-	-	961	-	-	961
Total comprehensive income/(loss)	**-**	**-**	**-**	**(21,512)**	**-**	**-**	**(21,512)**
Employee share options charge	-	-	755	-	-	-	755
At 30 June 2022 (Unaudited)	**721**	**427,496**	**123,079**	**(333,206)**	**(37,647)**	**(5,761)**	**174,682**
Net income/(loss) for the period - continuing operations	-	-	-	35,363	-	-	35,363
Total comprehensive income/(loss)	**-**	**-**	**-**	**35,363**	**-**	**-**	**35,363**
Settlement of Restricted Share Units	-	-	(2,081)	-	-	-	(2,081)
Employee share options charge	-	-	429	-	-	-	429
Share issue under RSU plan	2	1,007	-	-	-	-	1,009
Dividend	-	-	-	(9,348)	-	-	(9,348)
At 30 September 2022 (Unaudited)	**723**	**428,503**	**121,427**	**(307,191)**	**(37,647)**	**(5,761)**	**200,054**

For the nine months ended ***30 September 2021*** *Amounts in USD 000*	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
	Attributable to equity holders of the parent						
At 1 January 2021 (Audited)	**459**	**349,446**	**122,465**	**(361,017)**	**(37,647)**	**(5,761)**	**67,945**
Net income/(loss) for the period - continuing operations	-	-	-	54,480	-	-	54,480
Net income/(loss) for the period - discontinued operations	-	-	-	(502)	-	-	(502)
Total comprehensive income/(loss)	**-**	**-**	**-**	**53,978**	**-**	**-**	**53,978**
Share issue for cash	260	80,417	-	-	-	-	80,677
Settlement of Restricted Share Units	-	-	(1,374)	-	-	-	(1,374)
Share issue costs	-	(3,043)	-	-	-	-	(3,043)
Employee share options charge	-	-	480	-	-	-	480
Share issue under RSU plan	2	676	-	-	-	-	678
At 30 June 2021 (Unaudited)	**721**	**427,496**	**121,571**	**(307,039)**	**(37,647)**	**(5,761)**	**199,341**
Net income/(loss) for the period - continuing operations	-	-	-	(19,563)	-	-	(19,563)
Net income/(loss) for the period - discontinued operations	-	-	-	(329)	-	-	(329)
Total comprehensive income/(loss)	**-**	**-**	**-**	**(19,892)**	**-**	**-**	**(19,892)**
Employee share options charge	-	-	376	-	-	-	376
At 30 September 2021 (Unaudited)	**721**	**427,496**	**121,947**	**(326,931)**	**(37,647)**	**(5,761)**	**179,825**

Condensed Consolidated Statement of Cashflows

Q3 2021	Q2 2022	Q3 2022		YTD 2022	YTD 2021
(Unaudited)	*(Unaudited)*	*(Unaudited)*	*Cash inflows / (outflows) (USD 000)*	*(Unaudited)*	*(Unaudited)*
(13,935)	**(8,542)**	**56,524**	**Net (loss)/income for the period before tax**	**45,614**	**44,597**
			ADJUSTED FOR:		
8,636	8,703	8,450	Depreciation	26,726	18,200
(6,769)	(11,431)	655	Increase/(decrease) in working capital	5,098	29,874
(14,251)	(7,582)	(2,319)	Taxes	(13,764)	(18,341)
3,878	5,434	2,479	Net finance costs and losses/(gains) on commodity hedges	16,039	11,922
2,340	-	-	Gain/(loss) on acquisition/(disposal) of business	-	(46,121)
-	(1,200)	-	Impairment reversal	(1,200)	-
412	419	(583)	Other non-cash items	278	971
(19,689)	**(14,199)**	**65,206**	**Net cash (out)/inflow from operations**	**78,791**	**41,102**
			CASH FLOW FROM INVESTING ACTIVITIES		
-	-	-	Cash outflow related to acquisition(s)	-	(134,855)
(18,519)	(13,982)	(15,373)	Investment in exploration, production and other assets	(40,258)	(25,435)
(18,519)	**(13,982)**	**(15,373)**	**Net cash (out)/inflow from investing activities**	**(40,258)**	**(160,290)**
			CASH FLOW FROM FINANCING ACTIVITIES		
-	-	-	Proceeds from loans and borrowings (net of upfront and arrangement costs)	-	88,325
-	35,000	(35,000)	Oil revenue advances	-	-
(782)	-	-	Repayment of non-recourse loan	(1,864)	(3,105)
(6,270)	(1,020)	(6,420)	Repayment of Senior Secured loans	(13,710)	(7,860)
(762)	(2,594)	(2,752)	Realised gain/(loss) on commodity hedges	(7,283)	(1,524)
(1,965)	(1,857)	(2,129)	Borrowing costs, including bank charges	(5,889)	(3,928)
-	-	-	Gross proceeds from Equity Private Placement and Subsequent offering	-	80,116
-	-	-	Cost of Equity Private Placement	-	(3,173)
(60)	(57)	(55)	Lease liability payments	(172)	(182)
(9,839)	**29,472**	**(46,356)**	**Net cash (out)/inflow from financing activities**	**(28,918)**	**148,669**
(48,047)	1,291	3,477	Change in cash and cash equivalents during the period	9,615	29,480
(32)	-	-	Change in cash and cash equivalents - assets held for sale	(9)	(46)
83,187	29,370	30,661	Cash and cash equivalents at the beginning of the period	24,532	5,674
35,108	**30,661**	**34,138**	**Cash and cash equivalents at the end of the period**	**34,138**	**35,108**

Segment information

Q3 2021	Q2 2022	Q3 2022		YTD 2022	YTD 2021
(Unaudited)	*(Unaudited)*	*(Unaudited)*	*All amounts in USD 000 unless otherwise stated*	*(Unaudited)*	*(Unaudited)*
			OPERATING SEGMENTS - GROUP NET SALES		
4,262	4,462	4,239	Net average daily production - Block G (bopd)	4,554	2,805
1,577	1,875	1,827	Net average daily production - Dussafu (bopd)	1,910	1,216
1,349	1,086	1,221	Net average daily production - TPS assets (bopd)	1,203	1,339
7,189	**7,423**	**7,287**	**Total Group Net average daily production (bopd)**	**7,667**	**5,361**
-	-	745,069	Oil sales (bbls) - Net to Panoro - Block G, Equatorial Guinea	745,069	-
-	-	-	Oil sales (bbls) - Net to Panoro - Dussafu, Gabon	-	230,880
28,490	30,340	135,827	Oil sales (bbls) - Net to Panoro - TPS assets, Tunisia	294,728	284,574
28,490	**30,340**	**880,896**	**Total Group Net Sales (bbls) - continuing operations**	**1,039,797**	**515,454**
			OPERATING SEGMENT - WEST AFRICA - EQUATORIAL GUINEA		
1,733	2,668	58,396	**EBITDA**	64,866	12,478
6,294	6,134	5,826	Depreciation and amortisation	18,537	11,930
280,697	271,621	252,584	Segment assets	252,584	322,294
			OPERATING SEGMENT - WEST AFRICA - GABON		
166	2,320	2,008	**EBITDA**	6,558	10,345
919	1,758	1,719	Depreciation and amortisation	5,529	2,160
183,036	204,314	224,019	Segment assets	224,019	183,389
			OPERATING SEGMENT - NORTH AFRICA - TUNISIA		
713	406	9,944	**EBITDA**	22,178	11,884
1,368	733	826	Depreciation and amortisation	2,422	3,946
73,090	63,231	67,569	Segment assets	67,569	78,215
			OPERATING SEGMENT - SOUTH AFRICA		
-	(194)	(109)	**EBITDA**	(303)	-
-	981	5,236	Segment assets	5,236	-
			CORPORATE		
(1,134)	(412)	(1,876)	**EBITDA**	(4,099)	(5,025)
55	78	79	Depreciation and amortisation	238	164
13,637	13,055	9,147	Segment assets	9,147	16,983
			TOTAL - CONTINUING OPERATIONS		
1,478	4,788	68,363	**EBITDA**	89,200	29,682
8,636	8,703	8,450	Depreciation and amortisation	26,726	18,200
550,460	553,202	558,555	Segment assets	558,555	600,881
			Nigeria - Discontinued operations		
(329)	1,126	297	**Net income/(loss) for the period-Discontinued operations**	1,258	(831)
20,455	29,456	-	Assets classified as held for sale	-	20,455
(19,652)	(19,753)	-	Liabilities directly associated with assets classified as held for sale	-	(19,652)

Notes

1. Basis of preparation

The purpose of the unaudited condensed consolidated financial statements contained herein is to provide a high level update on Panoro activities, does not constitute an interim financial report under IAS 34 and should be read in conjunction with the financial information and the risk factors contained in the Company's 2021 Annual Report, 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.

By virtue of a shareholder agreement with Beender, Panoro's investment in Sfax Petroleum Corporation AS ("Sfax Corp) is 60%. 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.

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.

2. 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 2021 Annual Report.

3. Principal risks and uncertainties

The Group's activities expose it to a number of risks and uncertainties, which are consistent with those outlined in the Group's 2021 Annual Report.

4. Aje disposal

The sale of Panoro's fully owned subsidiaries Pan-Petroleum Services Holdings BV and Pan-Petroleum Nigeria Holding BV (together referred to as "Divested Subsidiaries") to PetroNor E&P ASA ("PetroNor") ("Aje Disposal") completed on 13 July 2022. The Divested Subsidiaries held 100% of the shares in Pan-Petroleum Aje Limited which holds a 6.502% participating interest, with a 16.255% cost bearing interest, representing an economic interest of 12.1913% in Offshore Mining Lease no. 113. Following completion of the Transaction Panoro has no operational presence remaining in Nigeria.

The Aje Disposal completed for an upfront consideration of USD 10 million plus a contingent consideration of up to USD 16.67 million based on future gas production volumes. The upfront consideration of USD 10 million was paid via the allotment and issue of 96,577,537 new PetroNor shares (the "Consideration Shares"), determined with reference to the contractually determined 30-day volume weighted average price ("VWAP") of PetroNor's shares which are listed on the Oslo Børs with the Ticker "PNOR".

At the date of the Aje Disposal, Panoro derecognised the assets and liabilities of the Divested Subsidiaries at their carrying amounts and recognised the fair value of consideration received from the transaction, with the resulting difference recognised as an income from discontinued operations, as follows:

Amounts in USD 000	*(Unaudited)*
Disposal Group assets derecognised	29,456
Disposal Group liabilities derecognised	(19,753)
Net assets of Disposal Group derecognised	**9,703**
Less: fair value of consideration	10,000
Gain on sale of Disposal Group	**297**

Following the Aje Disposal and receipt of the Consideration Shares as described above, the Board of Directors resolved on 1 August 2022 to use its authorisation to approve a dividend payable in the form of the Consideration Shares. Each Panoro shareholder as at the record date received 0.849 PetroNor shares for each share held in Panoro, rounded downwards to the nearest whole share. Fraction shares were not distributed.

Panoro retains an investment of 4,451,249 PetroNor shares ("Retained Shares"), representing a holding of approximately 0.31% of PetroNor share capital. The Retained Shares were in connection with obligation to withhold tax on dividends and such taxes have since been settled in cash by the Company. The Retained Shares are accounted for as financial assets at fair value through profit and loss and disclosed as current financial asset, valued at the published market price at the end of the reporting period, with revaluation differences disclosed as other income or expense in the statement of comprehensive income.

5. Loans and borrowings

5.1. 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:

	30 September 2022	30 June 2022	31 December 2021
Amounts in USD 000	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Senior Loan facility - Non-current	2,760	3,780	5,820
Senior Loan facility - Current	5,100	5,100	4,950
Senior Loan interest accrued - Current	166	156	169
Total Senior Loan facility	**8,026**	**9,036**	**10,939**
Senior Loan Unamortised borrowing costs - Non-current	(17)	(29)	(63)
Senior Loan Unamortised borrowing costs - Current	(67)	(80)	(103)
Total Unamortised borrowing costs	**(84)**	**(109)**	**(166)**
Total Senior Loan facility	**7,942**	**8,927**	**10,773**

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 the ring-fenced asset holding company (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.

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 7.75% per annum over the remaining term of the facility.

5.2. MCB/Trafigura Senior Secured Reserve Based Loan

Current and non-current portion of the outstanding balance of the Trafigura Senior Secured Reserve Based Lending facility as of the date of the statement of financial position is as follows:

	30 September 2022	30 June 2022	31 December 2021
Amounts in USD 000	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Borrowing Base Loan facility - Non-current	57,600	68,400	73,800
Borrowing Base Loan facility - Current	16,200	10,800	10,800
Total Senior Loan facility	**73,800**	**79,200**	**84,600**
Borrowing Base Unamortised borrowing costs - Non-current	(1,168)	(1,430)	(1,868)
Borrowing Base Unamortised borrowing costs - Current	(979)	(1,020)	(1,102)
Total Unamortised borrowing costs	**(2,147)**	**(2,450)**	**(2,970)**
Total Senior Loan facility	**71,653**	**76,750**	**81,630**

The amended Senior Loan facility has a term of 5 years from 31 March 2021 with interest charged and paid quarterly at USD 3-month LIBOR plus 7.5% on the balance outstanding, with principal repayments due each six months.

Key financial covenants are required to be tested 30 September and 31 March 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) Group Net debt/EBITDA: ≤3.0

(ii) Minimum cash balance of USD 7.0 million to be maintained in the account of the Borrower

(iii) Field life coverage ratio: 1.5x

(iv) Loan life coverage ratio: 1.3x

(v) Group Liquidity Test: 1.2x (Borrower and subsidiaries)

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 9.5% per annum over the remaining term of the facility.

5.3. 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:

	30 September 2022	30 June 2022	31 December 2021
Amounts in USD 000	*(Unaudited)*	*(Unaudited)*	*(Audited)*
BW Energy non-recourse loan - Non-current	-	-	-
BW Energy non-recourse loan - Current	2,809	2,758	4,507
Total carrying value	**2,809**	**2,758**	**4,507**

The non-recourse loan is repayable through Panoro's 7.4997% working interest 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 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.

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.

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
Bm^3	Billion cubic meter
BOE	Barrel of oil equivalent
Btu	British Thermal Units, the energy content needed to heat one pint of water by one degree Fahrenheit
IP	Initial production
Mcf	Thousand cubic feet
MMcf	Million cubic feet
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm^3	Million cubic meters
Tcf	Trillion cubic feet
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EBIT	Earnings before Interest and Taxes
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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