



Panoro Energy

Trading and Financial Update

First Quarter 2023

24 May 2023

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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 interests in Block-G, Block S and Block EG-01 offshore Equatorial Guinea, the Dussafu Marin License offshore southern Gabon, the TPS operated assets, Sfax Offshore Exploration Permit and Ras El Besh Concession, offshore Tunisia, and interests in offshore exploration Block 2B and onshore Technical Co-operation Permit 218 in South Africa.

HIGHLIGHTS, EVENTS AND UPDATES

Frist Quarter 2023 Highlights and Events

Corporate and Financial Update

- › Working interest production for the first quarter averaged 6,320 bopd, noting the previously communicated shut-down of the FPSO on Dussafu Marin for an extended period to complete final tie-in work of the Hibiscus Ruche Phase I development, and some short-term restricted production on other assets
- › The Company recognises revenue when liftings of its crude oil entitlement occur. Panoro lifted and sold 782,920 barrels in the period at an average realised price of USD 76 per barrel after customary discounts and fees
- › Revenue from oil sales for the first three months was USD 59.6 million with total reported revenue for the period standing at USD 60.7 million. EBITDA for the first three months was USD 35.6 million and net profit before tax of USD 24.5 million
- › Quarterly cash dividend declared of NOK 0.2658 per share (representing a cash payment to shareholders of NOK 31 million) to be paid on or around 12 June 2023
- › At 31 March cash at bank stood at USD 41.5 million and gross debt USD 67.0 million after principal repayments of USD 12.9 million. Both the senior secured loan (USD 6.8 million) and non-recourse loan (USD 0.6 million) were repaid in full during the period. Panoro's resultant net debt position at 31 March 2023 was USD 25.5 million
- › Cash flow from operations during Q1 was USD 35.2 million against capital expenditures of USD 7.7 million
- › Post period end on 24 April the Company completed its acquisition of Beender Petroleum's minority share of Sfax Petroleum Corporation ("SPC") adding net 2P reserves of approximately 3 million barrels of oil and net production of 800 - 900 bopd
- › Full government ratification and approvals in Equatorial Guinea were received for EG-01 and Block S respectively post period end in April
- › Panoro's Annual Statement of Reserves was released post period end in April, confirming a 92 percent organic 2P Reserve replacement year-on-year

2023 Guidance and Outlook

- › Average full-year production guidance of 9,500 to 11,500 bopd is maintained with the range being dependent on timing of the start-up of each of the new production wells at Dussafu Marin
- › Production is expected to increase to in excess of 13,000 bopd when all six new Hibiscus Ruche Phase I wells are onstream
- › Management expects the vast majority of its remaining 2023 crude oil liftings to occur in the second half of the year
- › Total crude liftings in 2023 are expected to be approximately 3 million barrels, a materially greater volume than the 1.8 million barrels lifted in 2022
- › Full-year capex guidance of USD 75 million is maintained

Operations Update

Equatorial Guinea – Block G (Panoro 14.25%)

- › Company working interest production in the first three months averaged 3,871 bopd (27,164 bopd on a gross basis)
- › Rig contracted for the next drilling campaign which is expected to commence in Q4 2023 and comprise three infill production wells which are expected to be put onstream in 2024 and deliver additional new production volumes
- › Workovers including an electrical submersible pump (“ESP”) conversion and behind pipe perforations
- › Ongoing field life extension and asset integrity projects including flowline replacements
- › Gas compression project at Okume
- › Planning for future gas injection project to reduce routine flaring

Gabon – Dussafu Marin Permit (Panoro 17.5%)

- › Company working interest production in the first three months averaged 1,284 bopd (7,340 bopd on a gross basis)
- › Production from the DHIBM-3H well, the first of six Hibiscus Ruche Phase I production wells in the current campaign, was initiated in early April and stabilised at a gross rate of 6,000 bopd from the prolific Gamba reservoir, in line with expectations
- › Drilling of the second new production well is underway and expected onstream in June
- › Hibiscus Ruche Phase I is expected to deliver on a gross basis approximately 30,000 barrels oil per day of new production when all wells are completed and onstream
- › Commissioning of the new gas lift compressor onboard the FPSO BW Adolo is now in process to support production from all six existing production wells at the Tortue field

Tunisia – TPS Assets (Panoro 29.4% during Q1, 49% post acquisition of minority interest in SPC)

- › Company working interest production in the first three months averaged 1,164 bopd (3,960 bopd on a gross basis)
- › Recompletion of the GUE-03 well, GUE-14 well and GUE-10AST well safely completed without incident
- › New production opportunities include a workover campaign comprising ESP replacement and stimulation of three wells at the Cercina field (CER-1, CER-6A and CER-7) scheduled to commence in Q3
- › Detailed planning for development drilling campaign on the Rhemoura and Guebiba fields with operations expected to start at year end

Exploration

- › Panoro does not have any exploration wells planned during 2023
- › At Block S offshore Equatorial Guinea the partners are planning to drill the Kosmos Energy operated Akeng Deep exploration well 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 at Block G
- › In February Panoro was awarded a 56 percent operated interest in exploration Block EG-01 offshore Equatorial Guinea. During the initial period of three years Panoro and partners will conduct subsurface studies based on existing seismic data to further define and evaluate the prospectivity of the block
- › Further exploration wells at Dussafu in Gabon are also being considered, using the optional well slots under current contract
- › Completing study to evaluate the helium and natural gas prospectivity of Technical Co-operation Permit 218 onshore northern Free State, South Africa

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 2022 Annual report.

Condensed Consolidated Statement of Comprehensive Income

	Q1 2023	Q4 2022	Q1 2022
	(Unaudited)	(Unaudited)	(Unaudited)
<i>Amounts in USD 000</i>			
Total revenues	60,673	70,856	16,150
Operating expenses	(22,074)	(30,868)	2,813
General and administrative costs	(3,034)	(2,032)	(2,914)
EBITDA	35,565	37,956	16,049
Depreciation, depletion and amortisation	(6,314)	(8,438)	(9,573)
Exploration costs written off	-	(9,210)	-
Other non-operating items	(439)	(377)	(369)
EBIT - Operating income/(loss)	28,812	19,931	6,107
Financial costs net of income	(4,336)	(3,863)	(8,310)
Profit/(loss) before tax	24,476	16,068	(2,203)
Income tax expense	(10,106)	(10,026)	(6,717)
Net profit/(loss) from continuing operations	14,370	6,042	(8,920)
Net income/(loss) from discontinued operations	-	-	(165)
Net profit/(loss) for the period	14,370	6,042	(9,085)
NET INCOME /(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent	14,370	6,042	(9,085)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Equity holders of the parent	14,370	6,042	(9,085)
EARNINGS PER SHARE			
Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Total	0.13	0.05	(0.08)
Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Continuing operations	0.13	0.05	(0.08)

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:

	Q1	Q4	Q1
	2023	2022	2022
<i>Amounts in USD 000</i>			
Net income/(loss) before tax - continuing operations	24,476	16,068	(2,203)
Share based payments	413	408	369
Non-recurring costs	9	70	99
Loss/(gain) on investment	26	(31)	-
Unrealised (gain)/loss on commodity hedges	133	(1,191)	3,134
Underlying operating profit/(loss) before tax	25,057	15,324	1,399

Underlying Operating Profit/(Loss) before tax is a supplemental non-GAAP financial measure 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

	As at 31 March 2023	As at 31 December 2022
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Tangible and intangible assets	452,482	444,740
Other non-current assets	138	121
Total Non-current assets	452,620	444,861
Inventories, trade and other receivables	52,714	61,339
Other current assets	-	475
Cash and cash equivalents	41,517	32,670
Total current assets	94,231	94,484
Total Assets	546,851	539,345
Total Equity	218,364	206,503
Decommissioning liability	124,855	123,654
Loans and borrowings	48,158	58,382
Other non-current liabilities	11,683	11,682
Deferred tax liabilities	70,000	67,283
Total Non-current liabilities	254,696	261,001
Loans and borrowings - current portion	18,890	21,129
Trade and other current liabilities	15,176	15,152
Current and deferred taxes	39,725	35,560
Total Current liabilities	73,791	71,841
Total Liabilities	328,487	332,842
Total Equity and Liabilities	546,851	539,345

Condensed Consolidated Statement of Changes in Equity

Attributable to equity holders of the parent

For the three months ended

31 March 2023

Amounts in USD 000

	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2023 (Audited)	723	428,503	121,834	(301,149)	(37,647)	(5,761)	206,503
Net income/(loss) for the period - continuing operations	-	-	-	14,370	-	-	14,370
Total comprehensive income/(loss)	-	-	-	14,370	-	-	14,370
Employee share options charge	-	-	414	-	-	-	414
Dividend	-	-	-	(2,923)	-	-	(2,923)
At 31 December 2023 (Unaudited)	723	428,503	122,248	(289,702)	(37,647)	(5,761)	218,364

Attributable to equity holders of the parent

For the three months ended

31 December 2022

Amounts in USD 000

	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 30 September 2022 (Unaudited)	723	428,503	121,427	(307,191)	(37,647)	(5,761)	200,054
Net income/(loss) for the period - continuing operations	-	-	-	6,042	-	-	6,042
Total comprehensive income/(loss)	-	-	-	6,042	-	-	6,042
Settlement of Restricted Share Units	-	-	(1)	-	-	-	(1)
Employee share options charge	-	-	408	-	-	-	408
At 31 December 2022 (Audited)	723	428,503	121,834	(301,149)	(37,647)	(5,761)	206,503

Attributable to equity holders of the parent

For the three months ended

31 March 2022

Amounts in USD 000

	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
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	-	-	-	(8,920)	-	-	(8,920)
Net income/(loss) for the period - discontinued operations	-	-	-	(165)	-	-	(165)
Total comprehensive income/(loss)	-	-	-	(9,085)	-	-	(9,085)
Employee share options charge	-	-	369	-	-	-	369
At 31 March 2022 (Unaudited)	721	427,496	122,693	(320,779)	(37,647)	(5,761)	186,723

Condensed Consolidated Statement of Cashflows

	Q1 2023	Q4 2022	Q1 2022
<i>Cash inflows / (outflows) (USD 000)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net (loss)/income for the period before tax	24,476	16,068	(2,368)
ADJUSTED FOR:			
Depreciation	-	8,438	9,573
Increase/(decrease) in working capital	13,580	(622)	15,874
Taxes	(3,224)	(16,309)	(3,863)
Net finance costs and losses/(gains) on commodity hedges	-	2,448	8,126
Exploration costs written off	-	9,210	-
Other non-cash items	414	407	442
Net cash (out)/inflow from operations	35,246	19,640	27,784
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in exploration, production and other assets	(7,742)	(14,173)	(10,903)
Net cash (out)/inflow from investing activities	(7,742)	(14,173)	(10,903)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of non-recourse loan	(653)	(2,200)	(1,864)
Repayment of Senior Secured loans	(12,240)	(1,020)	(6,270)
Realised gain/(loss) on commodity hedges	(208)	(1,409)	(1,937)
Borrowing costs, including bank charges	(2,578)	(2,251)	(1,903)
Lease liability payments	(55)	(55)	(60)
Dividend paid	(2,923)	-	-
Net cash (out)/inflow from financing activities	(18,657)	(6,935)	(12,034)
Change in cash and cash equivalents during the period	8,847	(1,468)	4,847
Change in cash and cash equivalents - assets held for sale	-	-	(9)
Cash and cash equivalents at the beginning of the period	32,670	34,138	24,532
Cash and cash equivalents at the end of the period	41,517	32,670	29,370

Segment information

	Q1 2023	Q4 2022	Q1 2022
<i>All amounts in USD 000 unless otherwise stated</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING SEGMENTS - GROUP NET SALES			
Net average daily production - Block G (bopd)	3,871	3,954	4,968
Net average daily production - Dussafu (bopd)	1,284	1,680	2,029
Net average daily production - TPS assets (bopd)	1,164	1,365	1,304
Total Group Net average daily production (bopd)	6,319	6,999	8,301
Oil sales (bbls) - Net to Panoro - Block G, Equatorial Guinea	659,812	-	-
Oil sales (bbls) - Net to Panoro - Dussafu, Gabon	-	647,111	-
Oil sales (bbls) - Net to Panoro - TPS assets, Tunisia	123,108	128,690	128,561
Total Group Net Sales (bbls) - continuing operations	782,920	775,801	128,561
OPERATING SEGMENT - WEST AFRICA - EQUATORIAL GUINEA			
EBITDA	31,314	1,236	3,802
Depreciation and amortisation	3,777	5,241	6,577
Segment assets	248,259	240,423	263,582
OPERATING SEGMENT - WEST AFRICA - GABON			
EBITDA	919	31,273	2,230
Depreciation and amortisation	1,508	1,539	2,052
Segment assets	229,855	219,544	186,636
OPERATING SEGMENT - NORTH AFRICA - TUNISIA			
EBITDA	5,472	6,598	11,828
Depreciation and amortisation	950	1,580	863
Segment assets	61,157	67,286	72,668
OPERATING SEGMENT - SOUTH AFRICA			
EBITDA	(187)	(293)	-
Segment assets	13	17	86
CORPORATE			
EBITDA	(1,953)	(858)	(1,811)
Depreciation and amortisation	79	78	81
Segment assets	7,567	12,075	17,299
TOTAL - CONTINUING OPERATIONS			
EBITDA	35,565	37,956	16,049
Depreciation and amortisation	6,314	8,438	9,573
Segment assets	546,851	539,345	540,271

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 2022 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.

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 2022 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 2022 Annual Report.

4. Loans and borrowings

4.1. 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:

	31 March 2023	31 December 2022
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Senior Loan facility - Non-current	-	1,740
Senior Loan facility - Current	-	5,100
Senior Loan interest accrued - Current	-	170
Total Senior Loan facility	-	7,010
Senior Loan Unamortised borrowing costs - Non-current	-	(8)
Senior Loan Unamortised borrowing costs - Current	-	(55)
Total Unamortised borrowing costs	-	(63)
Total Senior Loan facility	-	6,947

The remaining principal of USD 6.8 million of this loan was repaid in full on 15 March 2023, together with interest of USD 297 thousand.

4.2. 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:

	31 March 2023	31 December 2022
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Borrowing Base Loan facility - Non-current	48,800	57,600
Borrowing Base Loan facility - Current	19,600	16,200
Total Senior Loan facility	68,400	73,800
Borrowing Base Unamortised borrowing costs - Non-current	(642)	(950)
Borrowing Base Unamortised borrowing costs - Current	(710)	(918)
Total Unamortised borrowing costs	(1,352)	(1,868)
Total Senior Loan facility	67,048	71,932

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.

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 13.5% per annum over the remaining term of the facility.

4.3. BW Energy non-recourse loan

The Group had in place a non-recourse loan from BW Energy in relation to the funding of the Dussafu development. The loan bore 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 2023	31 December 2022
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
BW Energy non-recourse loan - Non-current	-	-
BW Energy non-recourse loan – Current	-	632
Total carrying value	-	632

This loan was repaid in full during the quarter.

5. Events subsequent to reporting date

On 24 April 2023, the Company completed an agreement with Beender Tunisia Petroleum Limited (“Beender”) to acquire its 40 percent shareholding in Sfax Petroleum Corporation AS (“SPC”) for a total consideration of approximately USD 18.2 million in a mix of cash and shares (the “Acquisition”). The Acquisition increases Panoro’s current ownership in SPC from 60 percent to 100 percent and SPC is now a fully owned subsidiary of Panoro. The loan facility with Trafigura was increased by USD 15 million in conjunction with the Acquisition.

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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