PetroNor E&P to acquire Panoro Energy's interest in OML 113, offshore Nigeria

Transaction to diversify PetroNor's portfolio with production and significant upside potential

Oslo, 21 October 2019: PetroNor E&P Limited (the "Company" or "PetroNor" with OSE ticker: "PNOR"), the independent oil and gas exploration and production company with a focus on production, development and exploration assets across sub-Saharan Africa, is pleased to announce that it has entered into a sale and purchase agreement ("SPA") with Panoro Energy ASA ("Panoro"), for its interest in Offshore Mining Lease no. 113 ("OML 113") Offshore Nigeria, containing the Aje oil and gas field.

The proposed transaction will see PetroNor acquire 100% of the shares of Panoro's fully owned subsidiaries Pan-Petroleum Services Holding BV ("PPSH") and Pan-Petroleum Nigeria Holding ("PPNH") ("Transaction"), which currently hold 100% of the shares in Pan-Petroleum Aje Limited ("Pan Aje"), which participates in the exploration for and production of hydrocarbons in Nigeria and holds a 6.502% participating interest, with 16.255% cost bearing interest, representing an economic interest of 12.1913% in OML 113.

The upfront consideration for the Transaction is US$ 10 million to be paid in PetroNor shares, with an option to pay partly in cash should the share price of PetroNor fall below USD 0.13 per share. The transaction also includes a contingent consideration structured as a royalty payment on future gas sales associated with the further development in OML 113.

Concurrently, PetroNor is in parallel concluding a separate agreement with the OML 113 operator Yinka Folawiyo Petroleum ("YFP") to create a new holding company ("SPV") that will see PetroNor assume the lead technical and management role to develop the next phases of the project. Together these agreements provide the framework and pathway towards sanction of the next phases of the Aje project in order to exploit the substantial gas and liquids reserves and unlock its significant value. PetroNor and YFP will hold respectively 45% and 55% of the SPV. The SPV, which will include the current license ownerships of YFP (the Operator), YPF-DW and Panoro, will hold an approximate 75.5 % participating interest, approximately 29% economic interest for the initial period and approximately 38.7% economical interest for the main part of the project going forward. The closing of the two transactions are interlinked and each is contingent on the closing of the other.

Jens Pace, Chief Executive Officer of PetroNor said: *"This acquisition is wholly in line with our stated growth strategy in terms of acquiring assets that add production and material reserves and resources to the Company. The upside potential attached to this project is significant and we are confident that the restructuring of the Aje partners, through the partnership with YFP, will result in a dynamic and effective operating JV capable of realising the full value of the field, both in terms of near-term oil production growth and more importantly with regards to the development of the substantial gas resources associated with the field.*

The Transaction ensures alignment between PetroNor, Panoro and YFP meaning all parties benefit in the success case. We continue to assess a pipeline of opportunities that will enable us to achieve our ambitious growth target of 30,000 boepd within three years through organic and acquisitive means, as we seek to establish ourselves as a premier, full-cycle, pan-African operator".

The Transaction is conditional on execution and conclusion of the agreement with YFP, expected to conclude in the coming weeks, and upon the authorisation of the Nigerian Department of Petroleum Resources and the consent of the Nigerian Minister of Petroleum Resources. Securing the authorisation and consent is expected to take several months with a long stop date agreed by the parties of 31 December 2020, following which either party is entitled to terminate the agreement.

Transaction highlights:

- The transaction diversifies PetroNor's portfolio through the addition of:
  - An initial net production rate of 350 - 400 boepd
  - An added 2C reserves base of 20 million barrels of oil equivalents (boe) that are expected to be converted to 2P reserves upon approval of the development plan
  - A successful development of the gas associated with the Aje field could result in net daily production of approximately 2,500-3,000 boepd to PetroNor

- The principal strategic rationale for the acquisition:
  - Become technical operator of a de-risked development project with significant upside potential
  - Alignment of the license partners to support a fully financed project re-development
  - Opportunity to leverage PetroNor's technical experience to progress Aje project and deliver near-term increased commercial recovery of hydrocarbons
  - Diversification of portfolio in line with stated strategy
  - Entry into Nigeria providing a foothold to explore further opportunities in country
  - Funding mechanism that ensures alignment of all parties, diversifies PetroNor's shareholder register with approximately 3,000 shareholders from Panoro and enhances free-float
  - Positive environmental impact as PetroNor intends to eliminate the current gas flaring within 18 months
  - The gas development project will provide a cleaner source of energy for the city of Lagos replacing diesel fired power generators

- PetroNor to acquire 100% of the shares of Panoro's fully owned subsidiaries Pan-Petroleum Services Holding BV ("PPSH") and Pan-Petroleum Nigeria Holding ("PPNH")

- PPSH and PPNH are holding companies with local Directors Vistra (Amsterdam) BV, representing the sole shareholder, Panoro. Since Pan Aje has a non-operating participation on OML 113, the company does not have local employees and are represented by Panoro employees as the Board of Directors. The three companies are managed by Panoro personnel.

- The acquired companies hold 100% of the shares in Pan Aje, which participates in the exploration for and production of hydrocarbons in Nigeria and holds a 6.502% participating interest, with 16.255% cost bearing interest, representing an economic interest of 12.1913% in Offshore Mining Lease no. 113 (OML 113)

- Separate Agreement with YFP, the Operator of OML 113, will result in the creation of a special purpose vehicle ("SPV") to restructure the OML 113 licence partnership and fund the further development of the Aje field
  - The SPV will combine the YFP, YFP-DW and Panoro ownership of OML 113
  - The SPV will hold 75% participating interest in the license and an effective 38.755% economical interest for the main production period
  - The SPV will be the operator and PetroNor will be the lead technical partner through a joint team

- Upfront consideration: allotment and issue of shares in PetroNor with a value of US$ 10 million. In the event the share price is less than USD 0.13, PetroNor has the right to pay partly in cash.

- Contingent consideration: once Pan Aje has recovered all costs related to the accumulated investments incurred after the date of completion, PetroNor shall pay to Panoro additional consideration of US$ 0.15 per 1,000 cubic feet of the Aje Natural Gas Sales Volume

The Asset

The Aje field came on production in May 2016 and has produced a cumulative of 3.6 million barrels of oil and condensate as at 1st August 2019. The current production rate is in the order of 3,000 bopd of oil (including some condensate). PetroNor has been working with the indigenous company, YFP, to prepare a re-vitalisation plan for the field. The development program is phased to minimize exposure and secure a solid rate of return on the investment. The field is expected to reach a gross production of 20,000 boepd of which 5,000-7,000 bopd consist of oil and condensate.

Conference call

The management of PetroNor will host a conference call at 09:30 Oslo time on Tuesday 22 October. Interested parties can access the call on the following dial in details:

- Norway: 800 62 196
- United Kingdom: 0800 358 9473
- International: +47 23500243
- PIN: 23956996#

An audio playback of the call will be made available upon request.

For further information, please contact:
Jens Pace, Chief Executive Officer
Stephen West, Chief Financial Officer
Tel: +44 20 3655 7810

Buchanan – Investor Relations
Ben Romney
Tel: +44 207 466 5000

Appendix

The below tables show key unaudited production, sales and financial information including those from the balance sheet and profit and loss account for Pan Aje on a consolidated basis with the Divested Subsidiaries for the financial years ended 31 December 2016, 2017 and 2018 and half year ended 30 June 2019:

	Six months ended 30 June 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016
Net average daily production (Bopd)	373	358	307	515
Oil sales (bbls) - Net to Panoro	92,842	142,761	113,367	110,539

Balance sheet highlights as at:

Amounts in US$ 000	30 June 2019	31 December 2018	31 December 2017	31 December 2016
Assets				
Licence and exploration assets	7,204	7,204	11,768	10,933
Production assets and equipment	5,529	6,415	3,532	25,143
Other current assets	455	1,113	3,275	1,004
Total assets	**13,188**	**14,732**	**18,575**	**37,081**
Liabilities				
Decommissioning liability	3,189	2,159	2,039	1,925
Other non-current liabilities	6,847	6,847	6,847	-
Other current liabilities	3,583	5,940	6,475	1,248
Total liabilities	**13,618**	**14,947**	**15,361**	**3,173**

Profit and loss highlights for the periods ended:

Amounts in US$ 000	Six months ended 30 June 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016
Oil revenue	6,301	9,474	6,021	5,461
Operating costs	(4,188)	(7,577)	(6,858)	(4,558)
EBITDA	**2,113**	**1,897**	**(837)**	**903**
Impairment and depreciation	(1,862)	(3,282)	(34,656)	(40,945)
General and administration costs	(57)	(130)	(190)	(132)
Net income/(loss)	**(82)**	**(1,941)**	**(36,081)**	**(40,443)**

The foregoing information in this Appendix has been extracted from Panoro group’s accounting records after taking into account intercompany group elimination adjustments that had been included for group consolidation purposes in the periods presented.