

Panoro Energy

Fourth Quarter Report 2016

February 22, 2017

*MT Navig8 Sanctity
Vessel used in Aje's second cargo lifting,
December 31, 2016*



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Highlights and events

Fourth Quarter 2016 highlights and subsequent events

- Sale and Purchase Agreement executed on February 21, 2017 for the divestment of a 25% working interest in Dussafu to a subsidiary of BW Offshore
- Following completion, BW Offshore to pay USD 12.0 million in cash and provide non-recourse loan of up to USD 12.5 million to fund expenditure to first oil expected in 2H 2018
- Second crude lifting and sale at Aje in Nigeria in December 2016, with proceeds received in full
- Gas lift compressor has been repaired and Aje-5 intervention is underway
- Initiation of legal proceedings regarding the disputed work programme at Aje
- Cash balance of USD 4.8 million as at December 31, 2016, with no debt
- Negative EBIT of USD 40.3 million, largely due to the impairment exercise undertaken on the Aje asset
- Euro-Latin Capital SA's baseless claim dismissed by the Oslo Appeals Court, and ordered to pay Panoro's legal costs of approximately USD 275 thousand

Operational update

NIGERIA

OML 113 Aje field: YFP (Operator), Panoro Energy (12.1913% entitlement to revenue stream, 16.255% paying interest and 6.5% participating interest)

Production from the Aje field continued during the quarter from the Aje-4 well without gas lift and with limited contribution from the Aje-5 well. A lifting of Aje crude was completed on December 31, 2016; Panoro's net entitlement from this lifting was 36,450 barrels of oil net of Production Royalty Oil.

The performance of the Aje field continued to be limited by the Aje-5 well, which requires subsurface intervention to remedy a mechanical problem. Necessary repairs to the gas lift system were made, and the gas lift system has been operational with minimal disruptions since January 2017. On average, the Aje field produced approximately 355 barrels of oil per day net to Panoro during the quarter. Material reductions in operating costs per barrel were achieved in the quarter despite lower production rates.

Operations to repair the Aje-5 well commenced in February 2017. A rig was contracted to re-enter the well and remedy the downhole problem via a cement squeeze. If that operation proves unsuccessful, the rig will drill a side-track from Aje-5 to a higher point on the Aje structure.

One further well, Aje-6, is planned to be drilled by the rig to the east of Aje-4. Panoro does not currently support the drilling of this well, and this is the subject of our legal dispute with the other partners in the JV. Following the drilling of Aje-6, an additional optional well, Aje-7, may be drilled to the west of Aje-5.

The Aje gas development project, which involves production and sale of gas and liquids from the 163 mmboc Turonian reservoir, is moving through concept definition towards a Field Development Plan. We expect to submit detailed plans for the project for regulatory approval during the first half of 2017.

GABON

Dussafu Marin: Harvest (Operator), Panoro Energy (33.33%)

Post-period, Panoro announced that its fully-owned subsidiary, Pan-Petroleum Gabon B.V. ("PPGBV"), has entered into a definitive Sale and Purchase Agreement (the "SPA") with BW Energy Gabon Pte. Ltd. ("BWEG"), a subsidiary of BW Offshore Limited (OSE ticker: BWO), the leading global provider of floating production services to the oil and gas industry.

Under the terms of the SPA, Panoro will sell a 25% working interest in the Dussafu Production Sharing Contract ("Dussafu PSC") in Gabon to BWEG for a total cash consideration of USD 12.0 million. At closing of the transaction, Panoro will receive USD 11.0 million in cash. The remaining USD 1.0 million in cash will be paid no later than December 30, 2017.

Panoro will also receive a non-recourse loan from BWEG of up to USD 12.5 million at 7.5% annual interest rate in order to fund all expenditures through to first oil production at Dussafu. Post-completion, Panoro will retain an 8.33% working interest in the Dussafu PSC. The total gross capital expenditure to reach first oil in 2018 is estimated to be a maximum of USD 150 million.

The closing of the transaction is subject to customary conditions precedent, including but not limited to the approval of the Gabonese Government and the completion of the separate sale of Harvest Dussafu B.V. to BWEG. It is expected that the transaction will close in the first quarter of 2017.

In the meantime, we are engaging with BWO and Harvest to move the project forward with purchase of long lead equipment for the development that will start at the Ruche field. We expect to achieve first oil at Dussafu in 2018.

CORPORATE AND FUNDING

The Company had USD 4.8 million in cash and bank balances as of December 31, 2016. In addition to this, USD 0.5 million cash was held as restricted cash collateral against a bank guarantee supporting our legal case at Aje. Subsequent to year-end, the collateral and the underlying guarantee was increased to USD 1.5 million. The Company expects to receive USD 11.0 million at closing of the BWO transaction, and a further USD 1.0 million at year-end 2017. The Company may require funding for future capital investments in our existing projects or working capital requirements due to timing uncertainties regarding the legal dispute on Aje and closing of the BWO transaction. Should the Company need to seek additional financing, a combination of debt, equity or asset divestment could be considered. The Company cannot be sure that such financing will be available when needed on reasonable terms. Based on an overall assessment, the financial statements have been prepared under the assumption of going concern and realization of assets and settlement of debt in normal operations.

In early December 2016, Panoro announced that it was in disagreement with its joint venture partners in OML 113 in Nigeria and intended to initiate arbitration and legal proceedings to protect its interests. The dispute concerns the purported passing of resolutions by the joint venture partners with respect to a proposed new well to be drilled at Aje in OML 113, and a related cash call. The Company believes the drilling of any new well is premature at this stage and is of the firm view that the decision to incur such additional capital expenditures at Aje unambiguously requires unanimous consent of joint venture partners. Panoro is still proactively trying to resolve the issue in order to preserve shareholder value. As the cash call and default notice remain in dispute, Panoro has commenced arbitration proceedings pursuant to the JOA. In addition, to protect its rights prior to commencement of the arbitration proceedings, the Company applied to the High Court in London, UK for interim relief in order to protect its rights under the JOA. The Court order was received whereby Panoro has been granted an interim injunction, and awarded its interim costs in seeking the injunction. The other joint venture partners are now temporarily restricted from taking any action related to new well cash calls that would prevent Panoro's continued participation in the JOA and OML 113. Under the terms of the Court order, Panoro is also required to provide a customary bank guarantee to the benefit of the respondents.

Panoro is in discussion with a number of potential buyers for the sale of all or a portion of its interest in OML 113. However there can be no assurances that any transaction contemplated under these discussions will be consummated. In the meantime, Panoro is resolved to bring the case to arbitration should no commercial solution be forthcoming.

Subsequent to December 31, 2016, Panoro announced that a judgment was granted in favour of the Company by the Borgarting Court of Appeal in Oslo (the "Court of Appeal"). Panoro was in a dispute with Euro-Latin Capital SA ("ELC"), an M&A advisory firm, in relation to a baseless claim by ELC for the payment of a success fee of up to USD 2.4 million on the sale of Panoro's assets in Brazil in 2014. The Court of Appeal dismissed all of ELC's claims and ordered ELC to pay Panoro's costs, which together with costs awarded earlier are in excess of NOK 2 million. ELC have stated that they will not appeal the case to the Supreme Court of Norway, and as such this case is now deemed closed. Post year-end, the Company received settlement in full, equivalent to approximately USD 275 thousand.

The Company's General and Administration (G&A) costs reduced by approximately 16% year-on-year to USD 4.1 million for the full year 2016 compared to USD 4.8 million in the same period in 2015. The reduction is mainly a result of continued cost saving efforts and positive currency variations on GBP denominated costs.

The Company's formal exit from its historical Brazilian business is still ongoing with slow progress towards the approval of license relinquishment by the Brazilian regulators. Management is working actively with the operator Petrobras to bring matters to a close and to ensure that the ongoing costs are kept to a minimum. However, the timing of such conclusion will be subject to necessary approvals by the Brazilian Regulator ANP.

Financial information

Income statement review

Fourth quarter 2016 versus third quarter 2016

Panoro Energy reported an EBITDA of negative USD 0.6 million for the fourth quarter 2016, compared to negative USD 0.8 million in the third quarter.

Fourth quarter EBITDA includes the oil and gas revenue from the second lifting from the Aje field and the associated operating costs.

Oil and gas revenue in the fourth quarter 2016 was USD 2.0 million and is based on the Company's entitlement barrels. The revenue was generated by the sale of the net entitlement volume of 36,450 bbls. By comparison, the third quarter revenue was USD 3.5 million based on net entitlement volume of 74,089 bbls.

Field operating costs per production barrel were USD 22.41/bbl and USD 25.75/bbl with royalties included. Through a carry arrangement, under the OML 113 Joint Operations Agreement (JOA), the Company's share of capital and operating expenditure is 16.255% (paying interest), whereas the allocation of revenue to the Company is at 12.1913% (revenue interest). Based on the net barrels produced which the Company is entitled to sell, Panoro's operating costs per barrel equated to USD 29.88/bbl and USD 34.33/bbl with royalties included. The revenue allocation of 12.1913% will increase to 16.255% once certain pre-defined financial thresholds are met under the JOA. Although there has been a reduction in reported operating costs per barrel on a quarter on quarter basis, it is noted that the field is in the early stages of production and reported operating cost per barrel will vary until production is stabilised. Operating costs will continue to be reviewed aggressively at the JV level; on a normalised production range, the operating cost per barrel is expected to reduce in line with previous estimates.

Panoro Energy reported a net loss of USD 40.4 million from continuing operations for the fourth quarter 2016, an increase in loss of USD 38.2 million, compared to a loss of USD 2.2 million in the third quarter 2016; the increase in loss is predominantly the effect of an impairment exercise undertaken during the quarter. The Aje impairment is a result of conservative application of accounting principles to determine the recoverable amount of the asset as of the balance sheet date. It has been considered following triggers and factors that include amongst others, the recent Aje well performance, rationalisation of historically high exploration costs and a reflection of risks associated with the asset in the current environment. In order to make such determinations, qualitative and quantitative factors were considered. The recognition of such provision was in line with the relevant accounting guidance and does not represent an underlying change in technical view of the asset.

Exploration related costs and operator G&A were USD 200 thousand up from the previous quarter of USD 21 thousand as work on Dussafu is gradually ramped up in preparation towards field development.

General and Administration costs from continuing activities increased from USD 0.9 million in Q3 2016 to USD 1.2 million in Q4 2016. This increase is predominantly due to increased legal costs in the period relating to the Aje legal proceedings. These increases have been partially offset by the reimbursement of legal fees following the high court success in the Company's legal dispute with Euro-Latin.

Depreciation for the current quarter was USD 0.8 million decreasing from USD 1.3 million in Q3 2016 as a result of lower depreciable production volumes available from the Aje Cenomanian oil field during Q4.

EBIT from continuing operations was thus a negative USD 40.3 million in the fourth quarter 2016, compared to a negative USD 2.1 million in the third quarter 2016.

Net financial items amounted to a net expense of USD 83 thousand in the fourth quarter 2016 compared to an expense of USD 7 thousand in the third quarter.

Loss before tax from continuing activities was USD 40.4 million in the fourth quarter 2016 which was higher by USD 38.2 million compared to previous quarter loss of USD 2.2 million.

Net loss for the period from discontinued operations in Brazil was USD 330 thousand for the current quarter, an increase in loss of USD 37 thousand from the third quarter. This was due to continuing exit costs and historical tax charges.

The total net loss was USD 40.7 million, compared to a net loss of USD 2.5 million in the third quarter.

Minor movement in other comprehensive income was a result of currency translation adjustments for reporting purposes in both quarters.

Year to date 2016 versus year to date 2015

Panoro Energy reported an EBITDA of negative USD 3.8 million for the year ended December 31, 2016, compared to negative USD 6.7 million in the same period in 2015.

EBITDA includes the oil and gas revenue from the first two liftings from the Aje field and the associated operating costs. In addition to the inclusion of Aje's liftings, an overall decline in G&A and exploration related costs was also noted.

Oil and gas revenue in the period was USD 5.5 million and is based on the Company's entitlement barrels. The revenue was generated by the sale of the net entitlement volume of 110,539 bbls.

Field operating costs per production barrel were USD 22.41/bbl and USD 25.75/bbl with royalties included. Through a carry arrangement, under the OML 113 Joint Operations Agreement (JOA), the Company's share of capital and operating expenditure is 16.255% (paying interest), whereas the allocation of revenue to the Company is at 12.1913% (revenue interest). Based on the net barrels produced which the Company is entitled to sell, Panoro's operating costs per barrel equated to USD 29.88/bbl and USD 34.33/bbl with royalties included. The revenue allocation of 12.1913% will increase to 16.255% once certain pre-defined financial thresholds are met under the JOA. Although there has been a reduction in reported operating costs per barrel on a quarter on quarter basis, it is noted that the field is in the early stages of production and reported operating cost per barrel will vary until production is stabilised. Operating costs will continue to be reviewed aggressively at the JV level; on a normalised production range, the operating cost per barrel is expected to reduce in line with previous estimates.

Panoro Energy reported a net loss of USD 62.0 million from continuing operations for the year ended December 31, 2016, an increase in loss of USD 22.8 million, compared to a loss of USD 39.2 million in the same period in 2015. The increase in loss of USD 23.5 million was significantly affected by the inclusion of impairment charges in 2016.

Exploration related costs and operator G&A decreased to USD 0.7 million in the year ended December 31, 2016, down from USD 1.9 million in same period in 2015. This is consistent with the majority of the Aje operator general and administrative costs since first oil being classified as operating costs during 2016.

General and Administration costs from continuing operations decreased to USD 4.1 million for the year ended December 31, 2016 compared to USD 4.8 million in the comparative period in 2015, culminating in a year-on-year decrease of 15.8%. The reduction is a result of continued cost saving efforts and by currency variations on GBP denominated costs.

Depreciation for the year ended December 31, 2016 was USD 2.2 million increasing from USD 90 thousand in the same period in 2015 as a direct result of the commencement of the depreciation of the Aje Cenomanian oil field in 2016.

During the year ending December 31, 2016, the Company recorded a provision for impairment totalling USD 60.3 million against its investment in Aje asset in Nigeria (USD 43.2 million) and Dussafu asset in Gabon (USD 17.1 million). The Aje impairment is a result of conservative application of accounting principles to determine the recoverable amount of the asset as of the balance sheet date. It has been considered following triggers and factors that include amongst others, the recent Aje well performance, rationalisation of historically high exploration costs and a reflection of risks associated with the asset in the current environment. In order to make such determinations, qualitative and quantitative factors were considered. The Dussafu impairment was the result of the effect of lower oil prices at the time and was considered to be a fair and current reflection on the Company's valuation of the carrying value of the asset. The recognition of such provision was in line with the relevant accounting guidance and does not represent an underlying change in technical view of either of the assets.

EBIT from continuing operations was thus a negative USD 61.9 million for the year ending December 31, 2016, compared to a negative USD 39.3 million in the same period of 2015.

Net financial items amounted to an expense of USD 94 thousand in the current period compared to an income of USD 34 thousand in the same period in 2015. This is due to accretion of USD 69 thousand notional interest on the Aje Asset Decommissioning Liability.

Loss before tax from continuing activities was USD 62.0 million for the year ending December 31, 2016 compared to the loss of USD 39.3 million for the same period in 2015. The increase in loss in 2016 is predominantly due to the inclusion of impairment provisions for both Dussafu and Aje.

Net loss for both periods from discontinued operations was USD 0.6 million.

The total net loss for the year ending December 31, 2016 was USD 62.6 million, compared to a net loss of USD 39.9 million for 2015.

Minor movement in respective periods to other comprehensive income was a result of currency translation adjustments for reporting purposes.

Statement of financial position review

Movements to December 31, 2016 from September 30, 2016

Movements in the Group statement of financial position during the fourth quarter of 2016 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 51.5 million at December 31, 2016, a decrease of USD 43.0 million from September 30, 2016.

The overall movement in total non-current assets was a result of an impairment charge to the Aje field, Nigeria of USD 43.2 million and depreciation charges on Aje production assets and equipment of USD 0.8 million for the current quarter. There was a minor offset to the impairment with overall additions of USD 1.1 million for both Aje and Dussafu. Property, furniture, fixtures and equipment was USD 169 thousand decreasing from USD 187 thousand at September 30, 2016.

Other non-current assets remained unchanged at USD 0.1 million for both quarters and relates to the tenancy deposit for office premises.

Current assets

Current assets amounted to USD 7.2 million as of December 31, 2016, compared to USD 8.0 million at September 30, 2016.

Trade and other receivables stood at USD 1.7 million, a decrease from USD 4 million at the end of September 2016. The movement is due to trade receivable including the residual cash due of USD 0.6 million for Aje's second lifting during the quarter, this is gross of royalties. This is offset by a reduction in the receivable balance of prepaid Aje cash calls during the period. In addition, USD 0.2 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory and USD 0.2 million of a tax receivable due from the first Aje cargo lifting.

Cash and bank balances stood at USD 4.8 million at December 31, 2016, an increase from USD 3.5 million at September 30, 2016. The increase is mainly attributed to the revenue from Aje's two liftings; cash for the first lifting was received in full and an advance payment of USD 1.4 million against the second lifting was also received during the quarter. Offsetting this were payments of Aje and Dussafu cash call during the quarter, which collectively amounted to USD 1.5 million. Also at the end of the quarter, USD 0.5 million of restricted cash was held as collateral against a bank guarantee supporting our legal case at Aje.

Equity

Equity amounted to USD 54.3 million as of December 31, 2016, compared to USD 95.0 million at the end of September 2016. The change reflects the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 2.0 million as of December 31, 2016 compared to USD 6.2 million at the end of September 2016. The decrease primarily relates to the reversal of the Aje Field deferred tax liability which has been unwound as part of the impairment review of the Aje field. The decommissioning provision for the Aje field has remained at USD 1.9 million for both quarters.

Current liabilities

Current liabilities amounted to USD 2.4 million at December 31, 2016, compared to USD 1.3 million at the end of September 2016.

Accounts payable, accruals and other liabilities amounted to USD 2.3 million, an increase from USD 1 million at the end of September 2016. The increase represents royalty due of USD 0.2 million on Aje's second lifting, higher corporate trade payables and Aje operational accruals as at December 31, 2016. The tax liability of USD 0.1 million is in relation to historical tax liability in Brazil.

Movements to December 31, 2016 from December 31, 2015

Movements in the Group statement of financial position during the year were a combination of the following:

Non-current assets

Non-current assets amounted to USD 51.5 million at December 31, 2016, a decrease of USD 50.9 million from December 31, 2015. This can be analysed as: capital additions during the period were USD 14.3 million, offset by USD 60.3 million impairment charges USD 1.0 million expensing of Aje pre-commencement costs and USD 2.2 million depreciation charges.

Property, furniture, fixtures and equipment was USD 169 thousand decreasing from USD 266 thousand at December 31, 2015. The decrease represents the depreciation of office premises and information technology upgrades carried out in 2015.

Other non-current assets decreased to USD 0.1 million as at December 31, 2016 as a result of the capitalisation of the Rubicon FPSO guarantee deposit of USD 0.8 million. The remaining USD 0.1 million relates to the tenancy deposit for office premises.

Current assets

Current assets amounted to USD 7.2 million per December 31, 2016, compared to USD 12.6 million per December 31, 2015.

Trade and other receivables stood at USD 1.7 million for both periods. This reflects the utilisation of the cash calls paid during the year, resulting in a similar receivable balance of prepaid cash calls at the end of both periods. In addition, USD 0.2 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory and USD 0.2 million of a tax receivable due from the first Aje cargo lifting.

Cash and bank balances stood at USD 4.8 million at December 31, 2016, a decrease from USD 10.9 million at December 31, 2015. The decline is due to investment in assets and corporate expenses in the period, offset by the receipt of revenues for the two Aje liftings in the period. Also during 2016, USD 0.5 million was held as restricted cash as collateral against a bank guarantee supporting our legal case at Aje.

Equity

Equity amounted to USD 54.3 million as per December 31, 2016, compared to USD 108.2 million at the end of December 2015. The change reflects increased equity, offset by costs of the Private Placement and Subsequent Offering and by the loss for the period, accentuated by the impairment charges recorded against both Aje and Dussafu.

Non-current liabilities

Total non-current liabilities of USD 2.0 million as of December 31, 2016 compared to USD 6.2 million at the end of December 2015. The decrease primarily relates to the reversal of the Aje Field deferred tax liability which has been unwound as part of the impairment review of the Aje field. The decommissioning provision for the Aje field has remained at USD 1.9 million for both periods. USD 0.1 million is held in long-term liabilities and is in relation to historical tax liability in Brazil.

Current liabilities

Current liabilities amounted to USD 2.4 million at December 31, 2016, compared to USD 0.7 million at the end of December 2015.

Accounts payable, accruals and other liabilities amounted to USD 2.3 million, an increase from USD 0.7 million at the end of December 2015. The increase represents increased operational accruals on Aje, royalty due on Aje's second lifting and higher corporate trade payables and accruals as at December 31, 2016. The tax liability of USD 0.1 million is in relation to historical tax liability in Brazil.

Outlook

- Completion of the BWO transaction
- Stabilised production at Aje pending resolution of mechanical issues
- Panoro will also continue to take all necessary action to protect its position in OML 113 and to preserve shareholder value
- Completion of prospective resources review at OML 113 to examine exploration potential in the wider licence area
- Anticipate near-term progress on the Dussafu project development plans
- Actively reviewing growth opportunities

The Board of Directors

Panoro Energy ASA

February 22, 2017

Julien Balkany
Chairman of the Board

Hilde Ådland
Non-Executive Director

Alexandra Herger
Non-Executive Director

Torstein Sanness
Non-Executive Director

Garrett Soden
Non-Executive Director

Condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2016

Q4 2015	Q3 2016	Q4 2016	<i>Amounts in USD 000</i>	Note	YTD 2016	YTD 2015
<i>(Unaudited)</i>					<i>(Unaudited)</i>	<i>(Audited)</i>
<i>Continuing Operations</i>			-			
-	3,487	1,974	Oil and gas revenue		5,461	-
-	3,487	1,974	Total revenues		5,461	-
-	(1,092)	0	Pre-commencement operating costs		(1,092)	-
-	(2,257)	(1,209)	Operating costs		(3,466)	-
(426)	(21)	(200)	Exploration related costs and Operator G&A		(660)	(1,877)
-	-	-	Severance and restructuring costs		-	(38)
(1,042)	(897)	(1,194)	General and administrative costs		(4,063)	(4,823)
(1,468)	(780)	(629)	EBITDA		(3,820)	(6,738)
(33)	(1,346)	(828)	Depreciation, depletion and amortisation		(2,231)	(90)
-	-	(38,835)	Impairment of Assets	6.1	(55,795)	(32,445)
-	(20)	(21)	Share based payments		(47)	-
(1,501)	(2,146)	(40,313)	EBIT - Operating income/(loss)		(61,893)	(39,273)
(12)	32	(3)	Interest costs net of income		43	73
(4)	(46)	(50)	Other financial costs net of income		(104)	(14)
8	7	(30)	Net foreign exchange gain/(loss)		(33)	(25)
(1,509)	(2,153)	(40,396)	Income/(loss) before tax		(61,987)	(39,239)
(46)	-	-	Income tax benefit/(expense)		-	(46)
(1,555)	(2,153)	(40,396)	Net income/(loss) for the period from continuing operations		(61,987)	(39,285)
<i>Discontinued operations</i>						
(162)	(293)	(330)	Net income / (loss) for the period from discontinued operations	4	(649)	(582)
(1,717)	(2,446)	(40,726)	Net income / (loss) for the period		(62,636)	(39,867)
(34)	(4)	1	Exchange differences arising from translation of foreign operations		(10)	(19)
(34)	(4)	1	Other comprehensive income/(loss) for the period (net of tax)		(10)	(19)
(1,751)	(2,450)	(40,725)	Total comprehensive income/(loss) for the period (net of tax)		(62,646)	(39,886)
Net income / (loss) for the period attributable to:						
(1,717)	(2,446)	(40,726)	Equity holders of the parent		(62,636)	(39,867)
Total comprehensive income / (loss) for the period attributable to:						
(1,751)	(2,450)	(40,725)	Equity holders of the parent		(62,646)	(39,886)
Earnings per share				5		
(0.01)	(0.06)	(0.96)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(1.61)	(0.17)
(0.01)	(0.05)	(0.95)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(1.60)	(0.17)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016**

<i>Amounts in USD 000</i>		December 31, 2016	September 30, 2016	December 31, 2015
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current assets				
Licenses and exploration assets	6/6.1	25,971	46,639	31,033
Production assets and equipment	6	25,285	47,545	-
Development assets	6	-	-	70,195
Property, furniture, fixtures and office equipment		169	187	266
Other non-current assets		122	149	962
Total Non-current assets		51,547	94,520	102,455
Current assets				
Crude Oil Inventory		163	522	-
Trade and other receivables		1,724	3,959	1,693
Cash and cash equivalents		4,768	3,548	10,948
Restricted Cash		520	-	-
Total current assets		7,175	8,029	12,641
Total Assets		58,722	102,549	115,096
Equity				
Share capital	7	305	305	193
Other equity		54,037	94,744	107,978
Total Equity attributable to equity holders of the parent		54,342	95,049	108,171
Non-current liabilities				
Decommissioning liability		1,925	1,898	1,856
Deferred tax liabilities		-	4,199	4,376
Other long-term liabilities		88	119	-
Total Non-current liabilities		2,013	6,216	6,232
Current liabilities				
Accounts payable, accruals and other liabilities		2,273	1,023	692
Corporation tax liability		94	261	1
Total current liabilities		2,367	1,284	693
Total Liabilities		4,380	7,500	6,925
Total Equity and Liabilities		58,722	102,549	115,096

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED DECEMBER 31, 2016

Q4 2015	Q3 2016	Q4 2016		YTD 2016	YTD 2015
<i>(Unaudited)</i>			<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Cash flows from operating activities					
(1,509)	(2,153)	(40,396)	Net (loss)/ income from continuing operations	(61,987)	(39,239)
(162)	(182)	(330)	Net (loss)/ income from discontinued operations	(538)	(582)
(1,671)	(2,335)	(40,726)	Net (loss)/ income for the period before tax	(62,525)	(39,821)
Adjusted for:					
33	1,346	841	Depreciation	2,244	90
184	139	39,458	Impairment and asset write-off	56,566	32,823
426	21	200	Exploration related costs and operator G&A	660	1,877
16	14	53	Net finance costs	61	(59)
-	20	21	Share-based payments	47	-
(7)	(7)	30	Foreign exchange gains/losses	33	25
(288)	593	1,219	Increase/(decrease) in trade and other payables	1,668	(838)
(364)	(3,219)	1,995	(Increase)/decrease in trade and other receivables	(1,188)	(583)
-	(522)	359	(Increase)/decrease in crude oil inventory	(163)	-
(46)	(27)	(14)	Taxes paid	(41)	(46)
(1,717)	(3,977)	3,436	Net cash flows from operating activities	(2,638)	(6,532)
Cash flows from investing activities					
(4,407)	861	(1,686)	Investment in exploration, production and other assets	(12,617)	(22,549)
-	-	-	Movement in related non-current assets	813	(962)
(4,407)	861	(1,686)	Net cash flows from investing activities	(11,804)	(23,511)
Cash flows from financing activities					
(16)	-	-	Net proceeds from Equity Private Placement	8,774	-
-	27	(15)	Net financial income (net of charges paid)	18	59
-	-	(520)	Movement in restricted cash balance	(520)	-
(16)	27	(535)	Net cash flows from financing activities	8,272	59
2	(3)	5	Effect of foreign currency translation adjustment on cash balances	(10)	(9)
(6,138)	(3,092)	1,220	Change in cash and cash equivalents during the period	(6,180)	(29,993)
17,086	6,640	3,548	Cash and cash equivalents at the beginning of the period	10,948	40,941
10,948	3,548	4,768	Cash and cash equivalents at the end of the period	4,768	10,948

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2016 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
At January 1, 2016 - (Audited)	193	288,858	122,054	(259,539)	(37,647)	(5,747)	108,171
Net income/(loss) for the period - Continuing Operations	-	-	-	(18,152)	-	-	(18,152)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(6)	-	-	(6)
Other comprehensive income/(loss)	-	-	-	-	-	2	2
Total comprehensive income/(loss)	-	-	-	(18,158)	-	2	(18,156)
Share Issue for cash	97	8,090	-	-	-	-	8,187
Transaction costs on Share Issue	-	(632)	-	-	-	-	(632)
At March 31, 2016 - (Unaudited)	290	296,316	122,054	(277,697)	(37,647)	(5,745)	97,570
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,286)	-	-	(1,286)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(20)	-	-	(20)
Other comprehensive income/(loss)	-	-	-	-	-	(9)	(9)
Total comprehensive income/(loss)	-	-	-	(1,306)	-	(9)	(1,315)
Share Issue for cash	15	1,288	-	-	-	-	1,303
Transaction costs on Share Issue	-	(84)	-	-	-	-	(84)
Employee share options charge/(benefit)	-	-	6	-	-	-	6
At June 30, 2016 - (Unaudited)	305	297,520	122,059	(279,005)	(37,647)	(5,754)	97,478
Net income/(loss) for the period - Continuing Operations	-	-	-	(2,153)	-	-	(2,153)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(293)	-	-	(293)
Other comprehensive income/(loss)	-	-	-	-	-	(4)	(4)
Total comprehensive income/(loss)	-	-	-	(2,446)	-	(4)	(2,450)
Transaction costs on Share Issue	-	(3)	-	-	-	-	(3)
Employee share options charge/(benefit)	-	-	21	-	-	-	21
At September 30, 2016 - (Unaudited)	305	297,517	122,080	(281,449)	(37,647)	(5,758)	95,049
Net income/(loss) for the period - Continuing Operations	-	-	-	(40,396)	-	-	(40,396)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(330)	-	-	(330)
Other comprehensive income/(loss)	-	-	-	-	-	1	1
Total comprehensive income/(loss)	-	-	-	(40,726)	-	1	(40,725)
Transaction costs on Share Issue	-	-	-	-	-	-	-
Employee share options charge/(benefit)	-	-	21	-	-	-	21
At December 31, 2016 - (Unaudited)	305	297,517	122,101	(322,177)	(37,647)	(5,757)	54,342

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
At January 1, 2015 - (Audited)	56,333	288,858	65,914	(219,672)	(37,647)	(5,729)	148,057
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,895)	-	-	(1,895)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(258)	-	-	(258)
Other comprehensive income/(loss)	-	-	-	-	-	30	30
Total comprehensive income/(loss)	-	-	-	(2,153)	-	30	(2,123)
At March 31, 2015 - (Unaudited)	56,333	288,858	65,914	(221,825)	(37,647)	(5,699)	145,933
Net income/(loss) for the period - Continuing Operations	-	-	-	(34,148)	-	-	(34,148)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(88)	-	-	(88)
Other comprehensive income/(loss)	-	-	-	-	-	19	19
Total comprehensive income/(loss)	-	-	-	(34,236)	-	19	(34,217)
At June 30, 2015 - (Unaudited)	56,333	288,858	65,914	(256,061)	(37,647)	(5,680)	111,716
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,687)	-	-	(1,687)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(74)	-	-	(74)
Other comprehensive income/(loss)	-	-	-	-	-	(33)	(33)
Total comprehensive income/(loss)	-	-	-	(1,761)	-	(33)	(1,794)
Reduction in registered share capital	(56,140)	-	56,140	-	-	-	-
At September 30, 2015 - (Unaudited)	193	288,858	122,054	(257,822)	(37,647)	(5,713)	109,923
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,555)	-	-	(1,555)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(162)	-	-	(162)
Other comprehensive income/(loss)	-	-	-	-	-	(34)	(34)
Total comprehensive income/(loss)	-	-	-	(1,717)	-	(34)	(1,751)
At December 31, 2015 - (Unaudited)	193	288,858	122,054	(259,539)	(37,647)	(5,747)	108,171

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

Notes to the condensed consolidated financial statements

1. Corporate information

The holding Company, Panoro Energy ASA, was incorporated on April 28, 2009 as a public limited company under the Norwegian Public Limited Companies Act of June 19, 1997 No. 45. The registered organisation number of the Company is 994 051 067 and its registered address is c/o Michelet & Co Advokatfirma AS, Grundingen 3, 0250 Oslo, Norway.

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in West Africa. The condensed consolidated financial statements of the Group for the period ended December 31, 2016 were authorised for issue by the Board of Directors on February 22, 2017.

The Company's shares are traded on the Oslo Stock Exchange under the ticker symbol PEN.

2. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial information and the risk factors contained in the Company's 2015 Annual Report and the Company's recently published Prospectus. A copy of the 2015 Annual Report and the recently published Prospectus are available on the Company's website at <http://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.

2.1 Significant accounting policies and assumptions

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's 2015 Annual Report.

Following the commencement of commercial production on Aje field, offshore Nigeria, Panoro has adopted an IFRS compliant accounting policy that can be consistently applied when the Company expands operations further. As such, all revenues arising from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer, which is typically at the point that title passes, and the revenue can be reliably measured. Revenue from the production of natural gas and oil in which Panoro Group has an interest with other producers is recognised based on the Group's working interest and the terms of the relevant production sharing contracts, the entitlement method. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

The interim financial statements have been prepared on a going concern basis, however, there are uncertainties related to this assessment.

The Company had USD 4.8 million in cash and bank balances as of December 31, 2016. In addition to this, USD 0.5 million cash was held as restricted cash collateral against a bank guarantee supporting our legal case at Aje. Subsequent to year-end, the collateral and the underlying guarantee was increased to USD 1.5 million. The Company expects to receive USD 11 million at closing of the BWO transaction, and a further USD 1 million at year-end 2017. The Company may require funding for future capital investments in our existing projects or working capital requirements due to timing uncertainties regarding the legal dispute on Aje and closing of the BWO transaction. Should the Company need to seek additional financing, a combination of debt, equity or asset divestment could be considered. The Company cannot be sure that such financing will be available when needed on reasonable terms. Based on an overall assessment, the financial statements have been prepared under the assumption of going concern and realization of assets and settlement of debt in normal operations.

3. Segment information

The Group operated predominantly in one business segment being the exploration and production of oil and gas in West Africa. However, for the purpose of comparative information, the Brazilian segment has been included.

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

- The West African segment holds the following assets:
 - The Dussafu licence representing the Group's 33.33% working interest in the Dussafu Marine exploration licence in Gabon.

- The OML113-Aje represents the Group's 12.1913% revenue interest, 16.255% paying interest and 6.5% participating interest) in the OML113-Aje exploration licence in Nigeria.
- The 'Corporate and others' category consists of head office and service company operations that are not directly attributable to the other segment. Further, it also includes the residual corporate business in Brazil which is expected to be dormant in the foreseeable future.

Management monitors the operating results of business segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on capital and general expenditure. Details of group segments are reported below.

Q4 2015	Q3 2016	Q4 2016		YTD 2016	YTD 2015
<i>(Unaudited)</i>			OPERATING SEGMENTS - GROUP NET SALES	<i>(Unaudited)</i>	
-	615	355	Net average daily oil production - Aje (bopd)	515	-
-	74,089	36,450	Oil sales (bbls) Net to Panoro	110,539	-
<hr/>					
Q4 2015	Q3 2016	Q4 2016		YTD 2016	YTD 2015
<i>(Unaudited)</i>			OPERATING SEGMENT - WEST AFRICA	<i>(Unaudited)</i>	
<i>in USD 000</i>					
(490)	(61)	513	EBITDA	(49)	(1,954)
-	-	38,817	Impairment of E&E Assets	55,608	32,445
-	1,324	810	Depreciation and amortisation	2,134	-
-	98,211	-	Segment assets	52,698	103,698
<hr/>					
CORPORATE					
<i>in USD 000</i>					
(978)	(719)	(1,142)	EBITDA	(3,771)	(4,784)
33	22	18	Depreciation and amortisation	97	90
-	3,923	-	Segment assets	5,901	11,120
<hr/>					
DISCONTINUED OPERATIONS					
<i>in USD 000</i>					
(162)	(293)	(330)	Income / (Loss) for the period from discontinued operations	(649)	(582)
-	415	-	Segment assets	123	278
<hr/>					
CONSOLIDATED					
<i>in USD 000</i>					
(1,468)	(780)	(629)	EBITDA	(3,820)	(6,738)
(162)	(293)	(330)	Income / (loss) for the period from discontinued operations	(649)	(582)
33	1,346	828	Depreciation and amortisation	2,231	90
-	-	38,835	Impairment of E&E Assets	55,608	32,445
-	102,549	-	Segment assets	58,722	115,096

The segment assets represent position as of quarter ends and the statement of comprehensive income items represent results for the respective quarters presented. There are no differences in the nature of measurement methods used on segment level compared with the interim condensed consolidated financial statements. There are no inter-segment adjustments and eliminations for the periods presented.

4. Discontinued operations

The Company's subsidiaries in Brazil have been classified as discontinued operations under IFRS 5. The results of Brazilian segment for the comparative quarters have therefore been carved out of the operating results and presented below as discontinued operations. The Company is contesting some historical tax claims in Brazil for disallowance of costs dating back to 2010 – 2011. The Company is confident that such tax demands are not likely to materialise:

Q4 2015	Q3 2016	Q4 2016		YTD 2016	YTD 2015
<i>USD 000 - (Unaudited)</i>				<i>USD 000 - (Unaudited)</i>	
-	-	-	Oil and gas revenue	-	-
-	-	-	Total revenues and other income	-	-
-	-	-	Production costs	-	-
-	-	-	Redundancies and restructuring costs	-	-
27	(17)	(55)	General and administration costs	(103)	(226)
27	(17)	(55)	EBITDA	(103)	(226)
-	-	-	Depreciation	-	-
(184)	(148)	(271)	Impairment	(419)	(378)
-	-	-	Share based payments	-	-
-	-	-	Gain/(loss) on sale of subsidiary	-	-
(157)	(165)	(326)	EBIT - Operating income / (loss)	(522)	(604)
(4)	-	6	Interest costs net of income	13	24
-	-	-	Other financial costs net of income	-	-
(1)	(17)	14	Net foreign exchange gain / (loss)	(5)	(2)
(162)	(182)	(306)	Income / (loss) before tax	(514)	(582)
-	(111)	(24)	Income tax benefit / (expense)	(135)	-
(162)	(293)	(330)	Net income/(loss) for the period from discontinued operations	(649)	(582)
(0.00)	(0.01)	(0.01)	Earning per share – basic and diluted (USD) for the period from discontinued operations	(0.02)	(0.00)

5. Earnings per share

Q4 2015	Q3 2016	Q4 2016		YTD 2016	YTD 2015
<i>(Unaudited)</i>			<i>Amounts in USD 000, unless otherwise stated</i>	<i>(Unaudited)</i>	
(1,717)	(2,446)	(40,726)	Net profit / (loss) attributable to equity holders of the parent - Total	(62,636)	(39,867)
(1,555)	(2,153)	(40,396)	Net profit / (loss) attributable to equity holders of the parent - Continuing operations	(61,987)	(39,285)
234,546	42,502	42,502	Weighted average number of shares outstanding - in thousands	38,814	234,546
(0.01)	(0.06)	(0.96)	Basic and diluted earnings per share (USD) - Total	(1.61)	(0.17)
(0.01)	(0.05)	(0.95)	Basic and diluted earnings per share (USD) - Continuing operations	(1.60)	(0.17)

Diluted earnings per share

The weighted average number of shares and the EPS workings for YTD 2016 is calculated including the effect of the reverse share split that occurred during 2016.

6. Licence interests, exploration and evaluation, development and production assets

	Licence Interest, Exploration and Evaluation Assets	Development Assets	Production Assets
	USD 000	USD 000	USD 000
Net book value			
At January 1, 2016 (<i>Audited</i>)	31,033	70,195	-
Additions	1,293	10,979	1,231
Transfer from Development Assets	31,562	(80,163)	48,601
Transfer of Pre-Commissioning Operating Costs	-	(1,011)	-
Depreciation	-	-	(2,134)
Impairment of E&E Assets	(37,917)	-	(22,413)
At December 31, 2016 (<i>Unaudited</i>)	25,971	-	25,285

Upon commencement of commercial production from the Aje field, offshore Nigeria, historical costs capitalised since inception have been reviewed and bifurcated between costs attributable to Cenomanian Oil field and other gas discoveries on the OML 113 license. As a result, bifurcated costs has been broadly categorised between Exploration & Evaluation assets and Production Assets.

It is noted that certain cash calls relating to the Aje field, offshore Nigeria that are the subject of the current legal proceedings with Aje joint venture partners have not been recognised in the Q4 2016 financial statements.

6.1. Provision for impairment

During the quarter, an addition was made to the overall impairment provision with a charge of USD 43.2 million recorded in relation to investment in OML 113 (Aje); this was offset by the reversal of a related deferred tax liability of USD 4.4 million, which has also been unwound. The Aje impairment is a result of conservative application of accounting principles to determine the recoverable amount of the asset as of the balance sheet date. It has been considered following triggers and factors that include amongst others, the recent Aje well performance, rationalisation of historically high exploration costs and a reflection of risks associated with the asset in the current environment. In order to make such determinations, qualitative and quantitative factors were considered. The recognition of such provision was in line with the relevant accounting guidance and does not represent an underlying change in technical view of the asset.

7. Share capital

As at December 31, 2016 and September 30, 2016, the Company had a registered share capital of NOK 2,125,109.80 divided into 42,502,196 shares with a nominal value of NOK 0.05.

8. Operating Costs

Field operating costs per production barrel were USD 22.41/bbl and USD 25.75/bbl with royalties included. Through a carry arrangement, under the OML 113 Joint Operations Agreement (JOA), the Company's share of capital and operating expenditure is 16.255% (paying interest), whereas the allocation of revenue to the Company is at 12.1913% (revenue interest). Based on the net barrels produced which the Company is entitled to sell, Panoro's operating costs per barrel equated to USD 29.88/bbl and USD 34.33/bbl with royalties included. The revenue allocation of 12.1913% will increase to 16.255% once certain pre-defined financial thresholds are met under the JOA. Although there has been a reduction in reported operating costs per barrel on a quarter on quarter basis, it is noted that the field is in the early stages of production and reported operating cost per barrel will vary until production is stabilised. Operating costs will continue to be reviewed aggressively at the JV level; on a normalised production range, the operating cost per barrel is expected to reduce in line with previous estimates.

9. Euro-Latin Capital SA

Subsequent to December 31, 2016, Panoro announced that a judgment was granted in favour of the Company by the Borgarting Court of Appeal in Oslo (the "Court of Appeal"). Panoro was in a dispute with Euro-Latin Capital SA ("ELC"), an M&A advisory firm, in relation to a baseless claim by ELC for the payment of a success fee of up to USD 2.4 million on the sale of Panoro's assets in Brazil in 2014. The Court of Appeal dismissed all of ELC's claims and ordered ELC to pay Panoro's costs, which together with costs awarded earlier are in excess of NOK 2 million. ELC have stated that they will not appeal the case to the Supreme Court of Norway, and as such this case is now deemed closed. Post year-end, the Company received settlement in full, equivalent to approximately USD 275 thousand.

Other information

Glossary and definitions

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bopd	Barrels of oil per day
Bcf	Billion cubic feet
Bm³	Billion cubic meter
BOE	Barrel of oil equivalent
Btu	British Thermal Units, the energy content needed to heat one pint of water by one degree Fahrenheit
IP	Initial production
Mcf	Thousand cubic feet
MMcf	Million cubic feet
MMbbl	Million barrels of oil
MMBOE	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm³	Million cubic meters
Tcf	Trillion cubic feet
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation

Disclaimer

This presentation does not constitute an offer to buy or sell shares or other financial instruments of Panoro Energy ASA (“Company”). This presentation 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 presentation, and we undertake no obligation to update or revise any of this information.

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