

Panoro Energy

First Quarter Report 2017

May 23, 2017

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Highlights and events

First Quarter 2017 highlights and subsequent events

Dussafu

- Following completion of the divestment of a 25% working interest in Dussafu in April, BW Offshore has paid USD 11.0 million in cash plus some working capital adjustments and will provide a non-recourse loan of up to USD 12.5 million.
- First oil expected in 2H 2018 at an anticipated initial rate of 15,000 bopd

Aje

- Legal dispute still ongoing, with arbitration hearing anticipated during summer; certain JV partners held in contempt of UK Court Order
- Third crude lifting and sale at Aje in Nigeria in March 2017, with proceeds attributed to settle cash calls post period-end
- Aje-6 removed from the current drilling programme
- Pacific Bora drillship has been demobilised from the Aje field after performing workover operations on the Aje-5 well. Result of Aje-5 side-track remains unknown at this time

Corporate

- Cash and cash equivalents of USD 11.9 million as at April 30, 2017, excluding USD 1.5 million held as security of costs in relation to the ongoing dispute on OML-113

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)

Panoro has been excluded from some of the Aje JV information due to the ongoing legal dispute, and therefore some of the following information is qualified by lack of full knowledge. We understand that Aje-5 was re-entered and sidetracked, and the rig has now been demobilised from the Aje field location. We further understand that the additional wells, Aje-6 and Aje-7, have been dropped from the current drilling programme. Production from the Aje field continued during the quarter from the Aje-4 well. Aje-5 was shut in pending its remediation. A lifting of Aje crude was completed on March 31, 2017; Panoro's net entitlement from this lifting was 26,210 barrels of oil net of Production Royalty Oil. The performance of the Aje field continued to be limited by the Aje-5 well. On average, the Aje field produced approximately 248 barrels of oil per day net to Panoro during the quarter. 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. A side-track was drilled from Aje-5 targeting a higher point on the Aje structure, but at this stage we do not have sufficient information regarding the outcome of this operation. The JV continues to work on and refine detailed plans for the Turonian gas project, which aims to commercialise the approximately 163 Mmboe Turonian gas resources.

GABON

Dussafu Marin: BW Energy (Operator), Panoro Energy (8.333% interest with effect from April 28, 2017)

In April 2017, Panoro completed the sale of a 25% working interest in the Dussafu license to BW Energy, which assumed operatorship of the license after closing their transaction with Harvest Natural Resources. Panoro received USD 11.0 million in cash post-closing of the transaction. A further USD 1.0 million in cash will be paid no later than December 30, 2017. Panoro is also receiving a non-recourse loan from BW Energy of up to USD 12.5 million at 7.5% annual interest rate in order to fund expenditures through to first oil production at Dussafu. The total gross capital expenditure to reach first oil in 2018 is estimated to be USD 150 million.

Panoro has recently participated in the first technical and operational meetings with BW Energy to discuss and approve work programmes and budgets for the development of the Dussafu license. The JV intends to commence production from the Tortue field in the second half of 2018 via two subsea wells tied back to a leased FPSO. The current expectation is for initial gross production of approximately 15,000 barrels of oil per day from the two wells.

CORPORATE AND FUNDING

The Company had USD 11.9 million in cash and cash equivalents as at April 30, 2017. In addition, USD 1.5 million of cash was held as collateral against costs in support of our ongoing legal dispute at Aje. This includes USD 11.0 million received at closing of the BWO transaction, plus some working capital adjustments. A further USD 1.0 million will be paid by year-end 2017.

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, 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 security to the benefit of the respondents.

Post-period end, on May 12, 2017, the High Court of Justice of England and Wales made a finding that three of the OML 113 joint venture partners (the “Relevant JV Partners”) were in contempt of an order of the Court handed down on January 20, 2017, restraining the joint venture partners from, amongst other things, excluding the Company’s subsidiary, Pan-Petroleum Aje Limited from operating committee meetings in relation to the proposed Aje-6 and Aje-7 development wells. The contempt hearing related to a meeting of the OML 113 operating committee held on January 23, 2017. Pan-Petroleum Aje Limited was not invited to attend the meeting where the Relevant JV Partners passed resolutions in breach of the restraining order. Following the finding on May 18, 2017, the judge finalised the order of the Court. The order states: (i) the OCM resolutions purportedly passed on January 23, 2017 are unlawful as a matter of English law; (ii) no fine is imposed on the Relevant JV Partners; and (iii) the Relevant JV Partners are ordered to pay Pan-Petroleum Aje Limited’s costs in the contempt proceedings. The order also denied an application by the Relevant JV Partners for leave to appeal against the judgement, but they may still choose to do so by application to the court of appeal.

Panoro is in discussion with 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. Panoro will bring the case to arbitration should no commercial solution be forthcoming.

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

First quarter 2017 versus fourth quarter 2016

Panoro Energy reported an EBITDA of negative USD 2.5 million for the first quarter 2017, compared to negative USD 0.6 million in the fourth quarter 2016.

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

Oil and gas revenue in the first quarter 2017 was USD 1.3 million and is based on the Company's entitlement barrels. The revenue was generated by the sale of the net entitlement volume of 26,210 bbls. By comparison, the fourth quarter 2016 revenue was USD 2.0 million based on net entitlement volume of 36,450 bbls.

Our estimate of the costs attributed to operations was USD 2.5 million at Aje for the first quarter compared to USD 1.2 million in the previous quarter. The higher allocation in the current quarter is primarily due to timing of cash calls issued by the Operator. The amount was lower in 4Q 2016 due to reversal of excess accruals from the 3Q 2016. Furthermore, due to the ongoing legal dispute at Aje, estimations and judgements have been made in preparation of these interim financial statements that include (but not limited to) Aje operating and project costs (see Note 2.1).

Panoro Energy reported a net loss of USD 3.4 million from continuing operations for the first quarter 2017, a decrease in loss of USD 37.0 million, compared to a loss of USD 40.4 million in the fourth quarter 2016; the decrease in loss is predominantly the effect of an impairment exercise undertaken during the fourth quarter 2016.

Exploration related costs and operator G&A were USD 0.1 million for the first quarter compared to USD 0.2 million in the previous quarter, as work on Dussafu continues in preparation towards field development.

General and Administration (G&A) costs from continuing activities remained at USD 1.2 million with both quarters affected by continued legal costs in the period relating to the Aje legal proceedings. The G&A costs for the current quarter include Aje dispute related costs of approximately USD 0.5 million (USD 0.3 million in the fourth quarter 2016).

Depreciation remained at USD 0.8 million for both quarters.

EBIT from continuing operations was thus a negative USD 3.3 million in the first quarter 2017, compared to a negative USD 40.3 million in the fourth quarter 2016.

Net financial items amounted to a net expense of USD 32 thousand in the first quarter 2017 compared to an expense of USD 83 thousand in the fourth quarter 2016.

Loss before tax from continuing activities was USD 3.4 million in the first quarter 2017 which was lower by USD 37.0 million compared to the previous quarter loss of USD 40.4 million.

Net loss for the period from discontinued operations in Brazil was USD 102 thousand for the current quarter, a decrease in loss of USD 228 thousand from the previous quarter.

The total net loss was USD 3.5 million, compared to a net loss of USD 40.7 million in the previous quarter.

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

First quarter 2017 versus first quarter 2016

Panoro Energy reported an EBITDA of negative USD 2.5 million for the first quarter 2017, compared to negative USD 1.2 million in the same period in 2016.

First quarter 2017 EBITDA includes the oil and gas revenue from the third lifting from the Aje field and the associated operating costs.

Oil and gas revenue in the first quarter 2017 was USD 1.3 million and is based on the Company's entitlement barrels; the revenue was generated by the sale of the net entitlement volume of 26,210 bbls. There was no recorded revenue in the same period of 2016.

Panoro Energy reported a net loss of USD 3.4 million from continuing operations for the first quarter 2017, a decrease in loss of USD 14.8 million, compared to a loss of USD 18.2 million in the same period in 2016. The decrease in loss was a direct result of the inclusion of impairment charges in 2016.

Exploration related costs and operator G&A decreased to USD 81 thousand in the first quarter of 2017, down from USD 0.2 million in same period in 2016. This is consistent with the majority of the Aje operator general and administrative costs since first oil being classified as operating costs.

General and Administration costs from continuing operations increased to USD 1.2 million for the first quarter 2017, compared to USD 0.9 million in the comparative period in 2016, largely due to the inclusion of legal fees associated with the ongoing legal proceedings relating to Aje.

Depreciation for the first quarter 2017 was USD 0.8 million increasing from USD 31 thousand in the same period in 2016 as a direct result of the depreciation of the Aje Cenomanian oil field.

EBIT from continuing operations was thus a negative USD 3.3 million for the first quarter 2017, compared to a negative USD 18.2 million in the same period of 2016.

Net financial items amounted to an expense of USD 32 thousand in the current period compared to an income of USD 18 thousand in the same period in 2016. This is due to accretion of USD 27 thousand notional interest on the Aje Asset Decommissioning Liability.

Loss before tax from continuing activities was USD 3.4 million for the first quarter 2017 compared to the loss of USD 18.2 million for the same period in 2016. The decrease in loss in 2017 is predominantly due to the inclusion of impairment provision for Dussafu in 2016.

Net loss for the period from discontinued operations in Brazil was USD 102 thousand for the first quarter 2017, compared to a net loss of USD 6 thousand for the same period in 2016.

The total net loss for the first quarter 2017 was USD 3.5 million, compared to a net loss of USD 18.2 million for the same period in 2016.

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 March 31, 2017 from December 31, 2016

Movements in the Group statement of financial position during the first quarter of 2017 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 54.5 million at March 31, 2017, an increase of USD 3.0 million from December 31, 2016.

The overall movement in total non-current assets was a result of capital additions for both Aje and Dussafu. Property, furniture, fixtures and equipment remained largely unchanged.

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 4.4 million as of March 31, 2017, compared to USD 7.2 million at December 31, 2016.

Trade and other receivables stood at USD 2.0 million, an increase from USD 1.7 million at the end of December 2016. The movement is due predominantly to the sale proceeds due for Aje's third lifting during the quarter, which is gross of royalties. In addition, there is the receivable balance of prepaid Dussafu cash calls and other corporate receivables and pre-payments. USD 0.2 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory and remains unchanged from the previous quarter.

Cash resources stood at USD 2.2 million at March 31, 2017, of which USD 1.5 million cash is held as collateral against costs in support of our ongoing legal dispute at Aje. This represents a decrease from USD 4.8 million at December 31, 2016. The decrease is mainly attributed to the payments of Aje and Dussafu cash calls during the quarter, offset by the receipt of the balance of sales proceeds from Aje's 2nd lifting. USD 1.5 million of collateral cash supporting our legal case at Aje is classified as restricted cash in the quarter.

Equity

Equity amounted to USD 50.9 million as of March 31, 2017, compared to USD 54.3 million at the end of December 2016. The change reflects the loss for the period.

Non-current liabilities

Total non-current liabilities remained unchanged at USD 2.0 million for both quarters, predominantly reflecting the decommissioning provision for the Aje field.

Current liabilities

Current liabilities amounted to USD 6.0 million at March 31, 2017, compared to USD 2.4 million at the end of December 2016.

Accounts payable, accruals and other liabilities amounted to USD 5.9 million, an increase from USD 2.3 million at the end of December 2016. The increase represents Aje operational accruals and higher corporate trade payables as at March 31, 2017. The tax liability of USD 0.1 million is in relation to historical tax liability in Brazil.

Outlook

- Dussafu development moving forward with new Operator BW Offshore
- Panoro will continue to take all necessary action to protect its position in OML 113
- Actively reviewing growth opportunities

The Board of Directors
Panoro Energy ASA
May 23, 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 MARCH 31, 2017

<i>Amounts in USD 000</i>	Note	Q1 2017	Q4 2016	Q1 2016
<i>(Unaudited)</i>				
<u>Continuing Operations</u>				
Oil and gas revenue		1,327	1,974	-
Total revenues		1,327	1,974	-
Operating costs		(2,542)	(1,209)	-
Exploration related costs and Operator G&A		(81)	(200)	(235)
General and administrative costs		(1,248)	(1,194)	(944)
EBITDA		(2,544)	(629)	(1,179)
Depreciation, depletion and amortisation		(776)	(828)	(31)
Impairment of Assets		-	(38,835)	(16,960)
Share based payments		(20)	(21)	-
EBIT - Operating income/(loss)		(3,340)	(40,313)	(18,170)
Interest costs net of income		(1)	(3)	3
Other financial costs net of income		(38)	(50)	(5)
Net foreign exchange gain/(loss)		7	(30)	20
Income/(loss) before tax		(3,372)	(40,396)	(18,152)
Income tax benefit/(expense)		18	-	-
Net income/(loss) for the period from continuing operations		(3,354)	(40,396)	(18,152)
<u>Discontinued operations</u>				
Net income / (loss) for the period from discontinued operations	4	(102)	(330)	(6)
Net income / (loss) for the period		(3,456)	(40,726)	(18,158)
Exchange differences arising from translation of foreign operations		(2)	1	2
Other comprehensive income/(loss) for the period (net of tax)		(2)	1	2
Total comprehensive income/(loss) for the period (net of tax)		(3,458)	(40,725)	(18,156)
Net income / (loss) for the period attributable to:				
Equity holders of the parent		(3,456)	(40,726)	(18,158)
Total comprehensive income / (loss) for the period attributable to:				
Equity holders of the parent		(3,458)	(40,725)	(18,156)
Earnings per share	5			
(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(0.08)	(0.96)	(0.07)
(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.08)	(0.95)	(0.07)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017**

<i>Amounts in USD 000</i>		March 31, 2017	December 31, 2016
		<i>(Unaudited)</i>	<i>(Audited)</i>
Non-current assets			
Licenses and exploration assets	6	26,579	25,971
Production assets, equipment and development costs	6	27,674	25,285
Property, furniture, fixtures and office equipment		152	169
Other non-current assets		124	122
Total Non-current assets		54,529	51,547
Current assets			
Crude Oil Inventory		165	163
Trade and other receivables		2,037	1,724
Cash and cash equivalents		710	4,768
Restricted Cash and Collateral		1,500	520
Total current assets		4,412	7,175
Total Assets		58,941	58,722
Equity			
Share capital	7	305	305
Other equity		50,587	54,023
Total Equity attributable to equity holders of the parent		50,892	54,328
Non-current liabilities			
Decommissioning liability		1,953	1,925
Other long-term liabilities		78	88
Total Non-current liabilities		2,031	2,013
Current liabilities			
Accounts payable, accruals and other liabilities		5,919	2,287
Corporation tax liability		99	94
Total current liabilities		6,018	2,381
Total Liabilities		8,049	4,394
Total Equity and Liabilities		58,941	58,722

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED MARCH 31, 2017

	Q1 2017	Q4 2016	Q1 2016
<i>Amounts in USD 000</i>			
<i>(Unaudited)</i>			
Cash flows from operating activities			
Net (loss)/ income from continuing operations	(3,372)	(40,396)	(18,152)
Net (loss)/ income from discontinued operations	(102)	(330)	(6)
Net (loss)/ income for the period before tax	(3,474)	(40,726)	(18,158)
Adjusted for:			
Depreciation	776	841	31
Impairment and asset write-off	-	39,458	16,969
Exploration related costs and operator G&A	81	200	59
Net finance costs	39	53	2
Share-based payments	21	21	-
Foreign exchange gains/losses	(7)	30	(20)
Increase/(decrease) in trade and other payables	3,643	1,219	276
(Increase)/decrease in trade and other receivables	(452)	1,995	(227)
(Increase)/decrease in crude oil inventory	(2)	359	-
Taxes paid	4	(14)	-
Net cash flows from operating activities	629	3,436	(1,068)
Cash flows from investing activities			
Investment in exploration, production and other assets	(3,698)	(1,686)	(9,787)
Movement in related non-current assets	-	-	-
Net cash flows from investing activities	(3,698)	(1,686)	(9,787)
Cash flows from financing activities			
Net proceeds from Equity Private Placement	-	-	7,555
Net financial income (net of charges paid)	(8)	(15)	(2)
Movement in restricted cash balance	(980)	(520)	
Net cash flows from financing activities	(988)	(535)	7,553
Effect of foreign currency translation adjustment on cash balances	(1)	5	(7)
Change in cash and cash equivalents during the period	(4,058)	1,220	(3,309)
Cash and cash equivalents at the beginning of the period	4,768	3,548	10,948
Cash and cash equivalents at the end of the period	710	4,768	7,639

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended March 31, 2017 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At January 1, 2017 - (Audited)	305	297,503	122,101	(322,177)	(37,647)	(5,758)	54,328
Net income/(loss) for the period - Continuing Operations	-	-	-	(3,354)	-	-	(3,354)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(102)	-	-	(102)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	(3,456)	-	-	(3,456)
Employee share options charge/(benefit)	-	-	20	-	-	-	20
At March 31, 2017 - (Unaudited)	305	297,503	122,121	(325,633)	(37,647)	(5,758)	50,892

For the three months ended December 31, 2016 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At September 30, 2016 - (Unaudited)	305	297,517	122,080	(281,449)	(37,647)	(5,758)	95,048
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)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	(40,726)	-	-	(40,726)
Employee share options charge/(benefit)	-	-	21	-	-	-	21
Transaction costs on Share Issue	-	(14)	-	-	-	-	(14)
At December 31, 2016 - (Audited)	305	297,503	122,101	(322,177)	(37,647)	(5,758)	54,328

For the three months ended March 31, 2016 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
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

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 March 31, 2017, were authorised for issue by the Board of Directors on May 23, 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 2016 Annual Report and the Company's recently published Prospectus. A copy of the 2016 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 2016 Annual Report.

The interim financial statements have been prepared on a going concern basis.

The Company had USD 2.2 million in cash resources as of March 31, 2017, of which USD 1.5 million cash is held as collateral against costs in support of our ongoing legal dispute at Aje. Post-period-end, the Company has received USD 11.0 million at closing of the BWO transaction, plus some working capital adjustments and consequently, as of April 30, 2017, the Group's cash and cash equivalents were USD 11.9 million. A further USD 1.0 million of remaining consideration will be paid by year-end 2017.

Due to the ongoing legal dispute between the Company's subsidiary, Pan-Petroleum Aje Limited, and other OML113 Joint Venture partners, the Group has access to limited operational and financial information of the Aje project. As a result, a high degree of estimation and judgements have been made in preparation of these financial statements. The judgements and estimates are management's best estimates and may differ from the actual position that was not available at the time of publication of this report. Key areas of judgements and estimates that may have an impact on financial statements are: Inventory and production volumes, revenue, depreciation, depletion and amortisation, capitalisation and accruals of project costs, estimates of operating costs and associated per barrel metrics, and triggers for impairment impacting recoverable amounts of OML113 investment capitalised the statement of financial position.

In addition, these interim financial statements do not include the disputed cash calls/expenditure in relation to Aje-6.

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 33.333% working interest in the Dussafu Marin exploration licence in Gabon. Subsequent to period end, on completion of the sale to BWEG, Panoro's working interest has been reduced to 8.333%.
 - 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.

	Q1 2017	Q4 2016	Q1 2016
OPERATING SEGMENTS - GROUP NET SALES			
	<i>(Unaudited)</i>		
Net average estimated daily production - Aje (bopd)	248	355	-
Oil sales (bbls) - Net to Panoro	26,210	36,450	-
OPERATING SEGMENT - WEST AFRICA			
	<i>(Unaudited)</i>		
<i>in USD 000</i>			
EBITDA	(2,099)	513	(18,054)
Impairment of E&E Assets	-	38,835	17,147
Depreciation and amortisation	759	810	-
Segment assets	57,915	52,698	96,480
CORPORATE			
<i>in USD 000</i>			
EBITDA	(445)	(1,142)	(85)
Depreciation and amortisation	17	18	31
Segment assets	974	5,901	8,062
DISCONTINUED OPERATIONS			
<i>in USD 000</i>			
Income / (Loss) for the period from discontinued operations	(102)	(330)	(6)
Segment assets	52	123	267
CONSOLIDATED			
<i>in USD 000</i>			
EBITDA	(2,544)	(629)	(18,139)
Income / (loss) for the period from discontinued operations	(102)	(330)	(6)
Depreciation and amortisation	776	828	31
Impairment of E&E Assets	-	38,835	17,147
Segment assets	58,941	58,722	104,809

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 tax year 2010 – 2011. The Company is confident that such tax demands are not likely to materialise.

	Q1 2017	Q4 2016	Q1 2016
	<i>USD 000 - (Unaudited)</i>		
Oil and gas revenue	-	-	-
Total revenues and other income	-	-	-
Production costs	-	-	-
Redundancies and restructuring costs	-	-	-
General and administration costs	(15)	(55)	(11)
EBITDA	(15)	(55)	(11)
Depreciation	-	-	-
Impairment	(68)	(271)	-
Share based payments	-	-	-
Gain/(loss) on sale of subsidiary	-	-	-
EBIT - Operating income / (loss)	(83)	(326)	(11)
Interest costs net of income	-	6	6
Other financial costs net of income	-	-	-
Net foreign exchange gain / (loss)	-	14	(1)
Income / (loss) before tax	(83)	(306)	(6)
Income tax benefit / (expense)	(19)	(24)	-
Net income/(loss) for the period from discontinued operations	(102)	(330)	(6)
Earning per share – basic and diluted (USD) for the period from discontinued operations	(0.00)	(0.01)	(0.00)

5. Earnings per share

	Q1 2017	Q4 2016	Q1 2016
	<i>(Unaudited)</i>		
<i>Amounts in USD 000, unless otherwise stated</i>			
Net profit / (loss) attributable to equity holders of the parent - Total	(3,456)	(40,726)	(18,158)
Net profit / (loss) attributable to equity holders of the parent - Continuing operations	(3,354)	(40,396)	(18,152)
Weighted average number of shares outstanding - in thousands	42,502	42,502	278,502
Basic and diluted earnings per share (USD) - Total	(0.08)	(0.96)	(0.07)
Basic and diluted earnings per share (USD) - Continuing operations	(0.08)	(0.95)	(0.07)

Diluted earnings per share

The weighted average number of shares and the EPS workings for comparative periods are 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	Production and Development Assets
	<i>USD 000</i>	<i>USD 000</i>
Net book value		
At January 1, 2017 (Audited)	25,971	25,285
Exploration and Evaluation Asset Additions	608	-
Development Asset Additions	-	2,507
Production Asset Additions	-	641
Depreciation	-	(759)
At March 31, 2017 (Unaudited)	26,579	27,674

Upon commencement of commercial production from the Aje field, offshore Nigeria during 2016, 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 have 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 Q1 2017 interim financial statements.

7. Share capital

As at March 31, 2017, and December 31, 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. Legal dispute

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 security to the benefit of the respondents.

Post-period end, on May 12, 2017, the High Court of Justice of England and Wales made a finding that three of the OML 113 joint venture partners (the "Relevant JV Partners") were in contempt of an order of the Court handed down on January 20, 2017, restraining the joint venture partners from, amongst other things, excluding the Company's subsidiary, Pan-Petroleum Aje Limited from operating committee meetings in relation to the proposed Aje-6 and Aje-7 development wells. The contempt hearing related to a meeting of the OML 113 operating committee held on January 23, 2017. Pan-Petroleum Aje Limited was not invited to attend the meeting where the Relevant JV Partners passed resolutions in breach of the restraining order. Following the finding on May 18, 2017, the judge finalised the order of the Court. The order states: (i) the OCM resolutions purportedly passed on January 23, 2017 are unlawful as a matter of English law; (ii) no fine is imposed on the Relevant JV Partners; and (iii) the Relevant JV Partners are ordered to pay Pan-Petroleum Aje Limited's costs in the contempt proceedings. The order also denied an application by the Relevant JV Partners for leave to appeal against the judgement, but they may still choose to do so by application to the court of appeal.

Other information

Financial calendar

May 24, 2017	First quarter 2017 results and Annual General Meeting
August 24, 2017	Second quarter 2017 results
November 16, 2017	Third quarter 2017 results

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.

Contact information

For further information, please contact:

John Hamilton, Chief Executive Officer
Panoro Energy ASA/ Panoro Energy Limited
info@panoroenergy.com
Tel: +44 20 3405 1060

Qazi Qadeer, Chief Financial Officer
Panoro Energy ASA/ Panoro Energy Limited
info@panoroenergy.com
Tel: +44 20 3405 1060