Panoro Energy

Half Year and Second Quarter Report 2018

August 21, 2018

Contents

Highlights and events

Second Quarter 2018 highlights and subsequent events

Dussafu

- Second development well, DTM-3H, completed successfully
- Ruche North East well spudded; results expected in September
- FPSO Adolo has reached Gabon and is ready for installation and production start-up at Tortue field
- On schedule to achieve First Oil in 2H 2018 at an anticipated gross rate of 10,000 to 15,000 bopd (Operator's estimates)

Aje

- Current oil production operations continue
- JV partners focus on advancing the Turonian development plan
- Licence renewal granted for an additional 20 years

Corporate

- Acquisition of DNO Tunisia AS completed in July 2018, providing Panoro with high quality assets, a full operating organisation and USD 8.3 million in cash
- Successfully completed a substantially oversubscribed equity private placement in July 2018, raising USD 8.3 million in gross proceeds
- Healthy financial position with over USD 20 million in cash when aggregating cash available at June 30, 2018 with the proceeds from the equity placement, and from the transaction with DNO

Operational update

GABON

Dussafu Marin: BW Energy (Operator), Panoro Energy (8.3333% interest)

During the quarter development activities continued at the Tortue oil field with the completion of the DTM-3H production well in the Gamba reservoir. The DTM-3H well was suspended after installation of the subsea tree and is now ready for production. This activity concludes the phase 1 development well drilling programme at the Tortue field.

Post the quarter end, the Borr Norve jack-up drilling rig moved to the Ruche North East location and has spudded the exploration well, DRNEM-1 with results expected in September. The Ruche North East target is an undrilled 4-way structure at the Gamba reservoir with Dentale potential. The DRNEM-1 well is located about 3.5 km north east of the Ruche field in water depths of 117m. The objective of the well is to delineate further resources in preparation for possible future second production hub in the Ruche area.

We expect first oil from Phase 1 at Tortue to be achieved in the second half of 2018 and the Operator estimates that initial gross production rates will be in the range of 10,000 to 15,000 barrels of oil per day. The FPSO, the BW Adolo, has now arrived in Gabonese waters and is in preparations for installation and production start-up at Tortue in the coming months. Planning for Phase 2 at Tortue is well underway, and is likely to consist of further production wells in the Gamba and Dentale D6 reservoirs.

NIGERIA

OML 113 Aje field: YFP (Operator), Panoro Energy (12.1913% entitlement to revenue stream, 16.255% paying interest and 6.502% participating interest)

The Aje field produced an average of 295 barrels of oil per day net to Panoro during the quarter, and this compares to 384 barrels of oil per day net in Q1 2018. The field was subject to a 3 week operational shutdown during May and June which affected the quarterly average production. Production from the Aje field continued to be from the Aje-4 and Aje-5 wells, with the Aje-4 well producing from the Cenomanian oil reservoir and the Aje-5 well producing from the oil rim of the Turonian reservoir; the oil production rates remain stable at approx. 380 bopd net to Panoro. A crude lifting was achieved in April 2018 and again subsequently post-period in August. Proceeds from crude sales are being applied by the JV towards operating expenses and the reduction of historical payables. The Joint Venture partners are continuing to discuss the next phase of activity at the field based around the submitted Turonian gas FDP and possible exploitation of the Turonian oil rim. The Operator has received Ministerial consent for OML 113 license renewal for an additional 20 years, subject to the satisfaction of customary financial conditions and a commitment to exploit the Turonian gas potential.

TUNISIA

Panoro completed the acquisition of DNO Tunisia AS on July 30, 2018. Following the acquisition Panoro now has interests in three assets, the Sfax Offshore Exploration Permit (SOEP), the Ras El Besh Concession, which is within the SOEP area, and the Hammamet Offshore Exploration Permit.

Sfax Offshore Exploration Permit: Panoro Energy (Operator, 87.5% interest)

Planning regarding the renewal of the Permit and commencement of a possible third exploration period is underway. The Permit renewal is due in December 2018.

Hammamet Offshore Exploration Permit: Medco (Operator), Panoro Energy (46% interest)

An application for relinquishment has been made by the Operator of the permit. The Permit is due to expire in September 2018.

CORPORATE

On July 30, 2018, the Company announced completion of acquisition (the "Transaction") of DNO Tunisia AS (now renamed to Panoro Tunisia Exploration AS "PTE"). The acquisition is a strategic fit for Panoro's growth plans to establish a portfolio of assets in Tunisia. The Transaction has provided Panoro with an established team in place and access to three new assets in a new geography. In addition to assuming the unfulfilled work obligations as part of the Transaction, PTE also retained approximately USD 8.3 in cash after completion adjustments.

An Equity Private Placement of 10% of Panoro's share capital and sale of treasury shares was also launched simultaneously with the Transaction in June 2018 which resulted in a significantly oversubscribed issue, raising gross proceeds of USD 8.3 million net to Panoro. DNO ASA also participated in the Private Placement with a subscription equivalent to approximately 5.65% of the total enlarged outstanding shares of the Company. The Private Placement and sale of treasury shares settled and completed subsequent to quarter end. Following the PTE acquisition and the equity transactions, Panoro's funding situation has strengthened considerably.

As part of the settlement of the Private Placement, the Company's board of directors utilised its authority to issue new shares. Consequently, the Board of Directors (the "Board") resolved to issue 4,250,219 new shares each at NOK 12.82 per share to the subscribers of Private Placement. Existing shareholders' pre-emptive rights had been set aside in order to facilitate a placement directed towards certain investors. The Board believed this is in the best interests of the Company as a rights issue normally results in a lower subscription price, higher costs and takes longer to complete. The Company's 1,000,000 treasury shares were also sold at the same time at the same price of NOK 12.82 per share.

In Brazil, termination agreements for the surrender of Coral and Cavalho Marinho licences have been signed between the JV partners and Brazilian Regulator ANP. The next steps involve various regulatory clearances before dissolution of JV operations. The Company's formal exit from its historical Brazilian business is still ongoing with slow progress towards the approval of abandonment by the Brazilian regulators and resolution of pending historical corporate items including taxes. Management is working actively with advisors and where relevant, the operator Petrobras to bring matters to a close and to ensure that the ongoing costs are kept to a minimum. However, the timing and eventual costs of such conclusion is uncertain at this stage.

Financial information

Income statement review

<u>Second quarter 2018 versus first quarter 2018</u>

Panoro Energy reported an EBITDA of positive USD 0.5 million for the second quarter, 2018, compared to negative USD 1.2 million in the first quarter, 2018.

Positive EBITDA in the second quarter is predominantly due to the inclusion of an Aje lifting in April, partially offset by the associated Aje operating costs and the Company's recurring General and Administration (G&A) costs.

Oil and gas revenue in the second quarter, 2018 was USD 4.6 million and is based on the Company's entitlement barrels. The revenue was generated by the sale of the net entitlement volume of 68,206 bbls.

Costs attributed to operations were USD 3.1 million at Aje for the second quarter. There was no lift in the first quarter and therefore no recognition of operating costs in the income statement, however second quarter costs were affected by a three week operational shutdown in May and June. The absence of a lifting in the first quarter resulted in all opex costs being capitalized in the cost of inventory; these costs have since been expensed in the second quarter when the revenue from the 7th Aje lifting has been recognised.

Panoro Energy reported a net loss of USD 0.3 million from continuing operations for the second quarter, 2018, a decrease in loss of USD 1.9 million, compared to a loss of USD 2.2 million in the first quarter, 2018. The previous quarter loss is higher due to the absence of a lifting on Aje.

Exploration related costs decreased marginally from USD 43 thousand for the first quarter, 2018 to USD 31 thousand in the current quarter.

General and Administration (G&A) costs from continuing activities were consistent over the first and second quarters at USD 1.0 million. In the previous period, the costs relating to the Aje dispute were separately reported as non-recurring dispute costs of USD 95 thousand; there were no such costs in the second quarter, following the conclusion of the Aje dispute.

Depreciation for the second quarter, 2018 was a charge of USD 0.6 million, compared to USD 0.9 million in the previous quarter. The quarter-on-quarter decrease reflects the lower production volumes available from the Aje Cenomanian oil field following the shutdown during the current quarter.

EBIT from continuing operations was thus a negative USD 0.2 million in the second quarter, 2018, compared to a negative USD 2.1 million in the first quarter.

Net financial items amounted to a net expense of USD 123 thousand in the second quarter, 2018 effectively unchanged from USD 125 thousand in the first quarter, 2018.

Loss before tax from continuing activities was USD 0.3 million in the second quarter, 2018 which was lower by USD 1.9 million compared to the previous quarter loss of USD 2.2 million.

Net loss for the period from discontinued operations in Brazil was USD 45 thousand for the current quarter, unchanged from the previous quarter at USD 44 thousand.

The total net loss was USD 0.3 million, compared to a net loss of USD 2.3 million in the previous quarter.

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

Year to date 2018 versus year to date 2017

Panoro Energy reported an EBITDA of negative USD 0.7 million for the first half, 2018, compared to negative USD 3.7 million in the same period in 2017.

First half, 2018 EBITDA includes the oil and gas revenue from the 7th lifting from the Aje field and the associated Aje operating costs.

Oil and gas revenue in the first half, 2018 was USD 4.6 million and is based on the Company's entitlement barrels. The revenue was generated by the sale of the net entitlement volume of 68,206 bbls. This compares to revenue of USD 1.3 million in the first half, 2017 from the sale of the Company's net entitlement barrels of 26,210 bbls.

Panoro Energy reported a net loss of USD 2.5 million from continuing operations for the first half, 2018, a decrease in loss of USD 28.9 million, compared to a loss of USD 31.4 million in the same period in 2017. The decrease in loss was mainly due to the inclusion of Aje impairment charges in the first half, 2017.

Exploration related costs decreased to USD 74 thousand in the first half, 2018, down from USD 309 thousand in same period in 2017.

General and Administration costs from continuing operations were USD 2.1 million for first half, 2018, marginally up from USD 1.9 million for the same period in 2017, reflecting new business activities undertaken during 2018.

Depreciation for the period was USD 1.5 million, decreasing from USD 1.6 million in the same period in 2017 with both periods relating to the depreciation of the Aje Cenomanian oil field. First half, 2018 is reflective of the changes to the independently certified Aje 2P reserves as reported in the 2017 Annual Statement of Reserves.

EBIT from continuing operations was thus a negative USD 2.3 million for the first half, 2018, compared to a negative USD 31.3 million in the same period of 2017. The change relates to the inclusion of impairment charges on Aje field in 2017.

Net financial items amounted to an expense of USD 248 thousand in the current period compared to an expense of USD 50 thousand in the same period in 2017. This is due to accretion of notional interest on the Aje Asset Decommissioning Liability and finance charges.

Loss before tax from continuing activities was USD 2.5 million for the first half, 2018, compared to the loss of USD 31.4 million for the same period in 2017. The higher loss in first half, 2017 is originating from impairment charges on Aje field.

Net loss for the period from discontinued operations in Brazil was USD 89 thousand for the period, compared to a net loss of USD 188 thousand for the same period in 2017.

The total net loss for the first half, 2018 was USD 2.6 million, compared to a net loss of USD 31.6 million for the same period in 2017.

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 June 30, 2018 from March 31, 2018

Movements in the Group statement of financial position during the second quarter of 2018 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 31.7 million at June 30, 2018, an increase of USD 5.6 million from March 31, 2018.

The overall movement in total non-current assets relates to capital additions on Dussafu in the quarter of USD 6.2 million, partially offset by the effect of the Aje depreciation charge of USD 0.6 million. Property, furniture, fixtures and equipment remained largely unchanged.

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

Current assets

Current assets amounted to USD 8.1 million as of June 30, 2018, compared to USD 10.4 million at March 31, 2018.

Trade and other receivables stood at USD 0.2 million, a decrease from USD 0.3 million at the end of March 2018. USD 2.4 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory. USD 1.5 million cash previously held as collateral against Aje dispute costs by the UK Court Funds Office was refunded to the Company with accumulated interest and subsequently reclassified to cash and cash equivalents.

Cash and cash equivalents stood at USD 5.5 million at June 30, 2018, including USD 1.5 million cash previously held as collateral against Aje dispute costs. On an overall net basis, cash balances increased by USD 0.4 million from USD 5.1 million at March 31, 2018.

Equity

Equity amounted to USD 14.8 million as of June 30, 2018, compared to USD 15.1 million at the end of March 2018. The change reflects the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 16.0 million as at June 30, 2018, compared to USD 12.1 million as at March 31, 2018 and include the decommissioning provision for the Aje field.

The increase predominantly relates to the non-recourse loan from BW Energy on Dussafu as the Development continues. As of June 30, 2018, Panoro's drawdown on the non-recourse loan was USD 7.1 million compared to USD 3.1 million as at March 31, 2018. The non-recourse loan is repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses. The repayment will start at First Oil on Dussafu. During the repayment phase, Panoro will still be entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations.

Other non-current liabilities include USD 6.8 million associated with historic cash calls on Aje, which will be settled from surplus funds, where available, from Aje crude sales after paying for current costs and JV liabilities.

Current liabilities

Current liabilities amounted to USD 8.9 million at June 30, 2018, compared to USD 9.3 million at the end of March, 2018.

Accounts payable, accruals and other liabilities amounted to USD 8.8 million, a decrease from USD 9.2 million at the end of March, 2018. This represents a reduction in current Aje operational payables of USD 2.5 Million, offset by an increase in Dussafu Development accruals of USD 2.3 Million, compared to March 31, 2018. The tax liability of USD 0.1 million remain unchanged and relates to recognised historical tax liability in Brazil.

Since the settlement of the Aje dispute, the Company has performed a review of historical costs incurred and recognised the liabilities associated with such expenditures in the balance sheet. The proportionate joint venture liabilities resulting from the workover and side-tracks at Aje-5 had been higher than anticipated and in combination with the operation accruals have resulted in proportional liabilities of USD 5.7 million as of June 30, 2018, compared to USD 8.2 Million as of March 31, 2018. Such liabilities continue to be current in nature and are expected to be repaid within 12 months.

In addition to these, USD 6.8 million is classified as long-term liabilities which as per the terms agreed between OML 113 Joint Venture partners, certain transitional arrangements were introduced whereby unpaid cash calls will not be immediately payable. During the transition period, any excess funds from Panoro's entitlement of crude liftings after paying for its share of operating expenditure shall be used to repay unpaid cash calls. In addition to this, commercial arrangements agreed as part of the interim settlement measures are expected to have the effect of increasing Panoro's existing revenue interest up to the end of 2018. We do not anticipate any use of Panoro's cash resources and expect it to be funded from the sale of our share of Aje crude. An Aje lifting was completed in early August 2018, which will provide net proceeds to Panoro in the region of USD 3 million; Panoro's share of these proceeds will reduce Aje related payables (which includes operating costs) in the third quarter 2018.

Movements to June 30, 2018 from December 31, 2017

Movements in the Group statement of financial position during the first half of 2018 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 31.7 million at June 30, 2018, an increase of USD 6.2 million from December 31, 2017.

The overall movement in total non-current assets relates to capital additions on Dussafu in the period of USD 7.7 million, partially offset by the effect of the Aje depreciation charge of USD 1.5 million. Property, furniture, fixtures and equipment remained largely unchanged.

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

Current assets

Current assets amounted to USD 8.1 million as of June 30, 2018, compared to USD 9.8 million at December 31, 2017.

Trade and other receivables stood at USD 0.2 million, a decrease from USD 0.6 million at the end of December 2017. USD 2.4 million has been accumulated and held on the balance sheet as the cash cost of Aje crude oil inventory. USD 1.5 million cash previously held as collateral against Aje dispute costs by the UK Court Funds Office was refunded to the Company with accumulated interest and subsequently reclassified to cash and cash equivalents.

Cash and cash equivalents stood at USD 5.5 million at June 30, 2018, including USD 1.5 million cash previously held as collateral against Aje dispute costs. On an overall net basis, cash balances decreased by USD 0.8 million from USD 6.3 million at December 31, 2017.

Equity

Equity amounted to USD 14.8 million as of June 30, 2018, compared to USD 17.3 million at the end of December 2017. The change reflects the loss for the period.

Non-current liabilities

Total non-current liabilities of USD 16.0 million as at June 30, 2018, compared to USD 11.1 million as at December 31, 2017 and include the decommissioning provision for the Aje field.

The increase predominantly relates to the non-recourse loan from BW Energy on Dussafu as the Development continues. As of June 30, 2018, Panoro's drawdown on the non-recourse loan was USD 7.1 million compared to USD 2.2 million as at December 31, 2017.

Other non-current liabilities include USD 6.8 million associated with historic cash calls on Aje, which will be settled from surplus funds, where available, from Aje crude sales after paying for current costs and JV liabilities.

Current liabilities

Current liabilities amounted to USD 8.9 million at June 30, 2018, compared to USD 6.8 million at the end of December 2017.

Accounts payable, accruals and other liabilities amounted to USD 8.8 million, an increase from USD 6.7 million at the end of December 2017. This is predominantly due to an increase in Dussafu Development accruals of USD 2.3 Million, compared to December 31, 2017. The tax liability of USD 0.1 million remain unchanged and relates to recognised historical tax liability in Brazil.

Since the settlement of the Aje dispute, the Company has performed a review of historical costs incurred and recognised the liabilities associated with such expenditures in the balance sheet. The proportionate joint venture liabilities resulting from the workover and side-tracks at Aje-5 had been higher than anticipated and in combination with the operation accruals have resulted in proportional liabilities of USD 5.7 million as of June 30, 2018, compared to USD 6.1 Million as of December 31, 2017. Such liabilities continue to be current in nature and are expected to be repaid within 12 months.

In addition to these, USD 6.8 million is classified as long-term liabilities which as per the terms agreed between OML 113 Joint Venture partners, certain transitional arrangements were introduced whereby unpaid cash calls will not be immediately payable. During the transition period, any excess funds from Panoro's entitlement of crude liftings after paying for its share of operating expenditure shall be used to repay unpaid cash calls. In addition to this, commercial arrangements agreed as part of the interim settlement measures are expected to have the effect of increasing Panoro's existing revenue interest up to the end of 2018. We do not anticipate any use of Panoro's cash resources and expect it to be funded from the sale of our share of Aje crude. An Aje lifting was completed in early August 2018, which will provide net proceeds to Panoro in the region of USD 3 million; Panoro's share of these proceeds will reduce Aje related payables (which includes operating costs) in the third quarter 2018.

Risks & uncertainties

Investment in Panoro Energy ASA

Investment in Panoro Energy involves risks and uncertainties as described in Company's Annual Report for 2017.

As an oil and gas company operating in multiple jurisdictions in Africa, exploration results, reserve and resource estimates and estimates for capital and operating expenditures are associated with uncertainty. The field's production performance may be uncertain over time.

The company is exposed to various forms of financial risks, including, but not limited to, fluctuation in oil prices, exchange rates, interest rates and capital requirements; these are described in the company's 2017 annual report and accounts, and in note 2.1 to the half year financial statements. The company is also exposed to uncertainties relating to the international capital markets and access to capital and this may influence the speed with which development projects can be accomplished.

Operational risks & uncertainties

The development of oil and gas fields in which the Company is involved is associated with technical risk, reservoir performance, alignment in the consortiums with regards to development plans and on obtaining the necessary licenses and approvals from the authorities. Such operations might occasionally lead to cost overruns and production disruptions, as well as delays compared to the plans laid out by the operator of these fields. Furthermore, the Company has limited influence on operational risk related to exploration success and development of industry cost.

Outlook

- Progress on Dussafu oil development with first oil production expected in 2H 2018 at an anticipated gross rate of 10,000 to 15,000 bopd (Operator estimate)

- Results of Ruche North East well

- Develop and progress Tunisian portfolio of Assets

- Forward planning on next phases at Aje

- Continue to actively reviewing growth opportunities

The Board of Directors

Panoro Energy ASA

August 21, 2018

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 JUNE 30, 2018

Q2 2017	Q1 2018	Q2 2018	*Amounts in USD 000*	Note	YTD 2018	YTD 2017
(Unaudited)					*(Unaudited)*	
			Continuing Operations			
-	-	4,625	Oil and gas revenue		4,625	1,327
497	-	-	Other Income		-	497
497	**-**	**4,625**	**Total revenues**		**4,625**	**1,824**
(159)	-	(3,072)	Operating costs		(3,072)	(2,701)
(228)	(43)	(31)	Exploration related costs		(74)	(309)
(415)	(95)	-	Non-recurring dispute costs		(95)	(620)
(886)	(1,040)	(1,024)	General and administrative costs		(2,064)	(1,929)
(1,191)	**(1,178)**	**498**	**EBITDA**		**(680)**	**(3,735)**
(830)	(872)	(615)	Depreciation, depletion and amortisation		(1,487)	(1,606)
(25,970)	-	-	Impairment of Assets		-	(25,970)
(17)	(51)	(46)	Share based payments		(97)	(37)
(28,008)	**(2,101)**	**(163)**	**EBIT - Operating income/(loss)**		**(2,264)**	**(31,348)**
7	(83)	(84)	Interest costs net of income		(167)	6
(31)	(34)	(36)	Other financial costs net of income		(70)	(69)
6	(8)	(3)	Net foreign exchange gain / (loss)		(11)	13
(28,026)	**(2,226)**	**(286)**	**Net income/(loss) before tax**		**(2,512)**	**(31,398)**
-	-	-	Income tax benefit/(expense)		-	18
(28,026)	**(2,226)**	**(286)**	**Net income/(loss) for the period from continuing operations**		**(2,512)**	**(31,380)**
			Discontinued operations			
(86)	(44)	(45)	Net income / (loss) for the period from discontinued operations		(89)	(188)
(28,112)	**(2,270)**	**(331)**	**Net income / (loss) for the period**		**(2,601)**	**(31,568)**
			Exchange differences arising from translation of foreign operations			
-	**(3)**	**-**	**Other comprehensive income/(loss) for the period (net of tax)**		**(3)**	**(2)**
(28,112)	**(2,273)**	**(331)**	**Total comprehensive income/(loss) for the period (net of tax)**		**(2,604)**	**(31,570)**
			Net income /(loss) for the period attributable to:			
(28,112)	(2,270)	(331)	Equity holders of the parent		(2,601)	(31,568)
			Total comprehensive income / (loss) for the period attributable to:			
(28,112)	(2,273)	(331)	Equity holders of the parent		(2,604)	(31,570)
			Earnings per share	4		
(0.66)	(0.05)	(0.01)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(0.06)	(0.74)
(0.66)	(0.05)	(0.01)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.06)	(0.74)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

Amounts in USD 000		June 30, 2018	March 31, 2018	December 31, 2017
		(Unaudited)		*(Audited)*
Non-current assets				
Licenses and exploration assets	5	13,596	13,596	13,596
Development assets	5	9,416	3,220	1,694
Production assets and equipment	5	8,450	9,048	9,902
Property, furniture, fixtures and office equipment		67	84	102
Other non-current assets		130	139	134
Total Non-current assets		**31,659**	**26,087**	**25,428**
Current assets				
Crude Oil Inventory		2,396	3,482	1,398
Trade and other receivables		202	292	615
Cash and cash equivalents		5,481	5,133	6,317
Cash Security Deposit	2.1	-	1,500	1,500
Total current assets		**8,079**	**10,407**	**9,830**
Total Assets		**39,738**	**36,494**	**35,258**
Equity				
Share capital	6	299	299	299
Treasury Shares		(503)	(503)	(503)
Other equity		15,018	15,306	17,524
Total Equity attributable to equity holders of the parent		**14,814**	**15,102**	**17,320**
Non-current liabilities				
Decommissioning liability		2,097	2,068	2,039
Long-term liabilities	7	7,084	3,148	2,197
Other long-term liabilities	8	6,858	6,877	6,892
Total Non-current liabilities		**16,039**	**12,093**	**11,128**
Current liabilities				
Accounts payable, accruals and other liabilities	8	8,820	9,226	6,737
Corporation tax liability		65	73	73
Total current liabilities		**8,885**	**9,299**	**6,810**
Total Liabilities		**24,924**	**21,392**	**17,938**
Total Equity and Liabilities		**39,738**	**36,494**	**35,258**

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED JUNE 30, 2018

Q2 2017	Q1 2018	Q2 2018		YTD 2018	YTD 2017
(Unaudited)			*Amounts in USD 000*	*(Unaudited)*	
			Cash flows from operating activities		
(28,026)	(2,226)	(286)	Net (loss)/ income from continuing operations	(2,512)	(31,398)
(86)	(44)	(45)	Net (loss)/ income from discontinued operations	(89)	(188)
(28,112)	(2,270)	(331)	**Net (loss)/ income for the period before tax**	(2,601)	(31,586)
			Adjusted for:		
830	872	615	Depreciation	1,487	1,606
25,970	-	-	Impairment and asset write-off	-	25,970
228	43	31	Exploration related costs	74	309
24	117	120	Net finance costs	237	63
16	51	46	Share-based payments	97	37
(6)	13	(2)	Foreign exchange gains/losses	11	(13)
1,916	2,261	(2,810)	Increase/(decrease) in trade and other payables	(549)	5,559
593	(169)	95	(Increase)/decrease in trade and other receivables	(74)	141
(1,161)	(2,084)	1,086	(Increase)/decrease in crude oil inventory	(998)	(1,163)
(23)	(19)	(17)	Taxes paid	(36)	(19)
275	**(1,185)**	**(1,167)**	**Net cash flows from operating activities**	**(2,352)**	**904**
			Cash flows from investing activities		
11,737	-	-	Proceeds from disposal of Assets	-	11,737
(3,987)	(1,526)	(6,196)	Investment in exploration, production and other assets	(7,722)	(7,685)
-	1,526	6,196	Increase/(decrease) in non-recourse loan	7,722	-
7,750	**-**	**-**	**Net cash flows from investing activities**	**-**	**4,052**
			Cash flows from financing activities		
-	-	-	Net proceeds from Equity Private Placement	-	-
(55)	4	15	Net financial income (net of charges paid)	19	(63)
-	-	1,500	Movement in restricted cash balance	1,500	(980)
(55)	**4**	**1,515**	**Net cash flows from financing activities**	**1,519**	**(1,043)**
-	(3)	-	Effect of foreign currency translation adjustment on cash balances	(3)	(1)
7,970	(1,184)	348	Change in cash and cash equivalents during the period	(836)	3,912
710	6,317	5,133	Cash and cash equivalents at the beginning of the period	6,317	4,768
8,680	**5,133**	**5,481**	**Cash and cash equivalents at the end of the period**	**5,481**	**8,680**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
For the six months ended June 30, 2018 *Amounts in USD 000*	**Issued capital**	**Share premium**	**Treasury Shares**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Currency translation reserve**	**Total**
At January 1, 2018 - (Audited)	**299**	**297,490**	**(503)**	**122,206**	**(358,766)**	**(37,647)**	**(5,758)**	**17,320**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(2,226)	-	-	(2,226)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(44)	-	-	(44)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(2,270)	-	-	(2,270)
Employee share options charge/(benefit)	-	-	-	52	-	-	-	52
At March 31, 2018 - (Unaudited)	**299**	**297,490**	**(503)**	**122,258**	**(361,036)**	**(37,647)**	**(5,758)**	**15,102**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(286)	-	-	(286)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(45)	-	-	(45)
Other comprehensive income/(loss)	-	-	-	-	-	-	(3)	(3)
Total comprehensive income/(loss)	-	-	-	-	(331)	-	(3)	(334)
Employee share options charge/(benefit)	-	-	-	**46**	-	-	**-**	**46**
At June 30, 2018 - (Unaudited)	**299**	**297,490**	**(503)**	**122,304**	**(361,367)**	**(37,647)**	**(5,761)**	**14,814**

	Attributable to equity holders of the parent							
For the six months ended June 30, 2017 *Amounts in USD 000*	**Issued capital**	**Share premium**	**Treasury Shares**	**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**
Net income/(loss) for the period-Continuing Operations	-	-	-	-	(28,026)	-	-	(28,026)
Net income/(loss) for the period-Discontinued Operations	-	-	-	-	(86)	-	-	(86)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(28,112)	-	-	(28,112)
Employee share options charge/(benefit)	-	-	-	17	-	-	**-**	17
Settlement of Restricted Share Units	-	-	-	(44)	-	-	**-**	(44)
At June 30, 2017 - (Unaudited)	**305**	**297,503**	**-**	**122,094**	**(353,745)**	**(37,647)**	**(5,758)**	**22,751**

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 Africa. The condensed consolidated financial statements of the Group for the period ended June 30, 2018, were authorised for issue by the Board of Directors on August 21, 2018.

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 2017 Annual Report and the Company's Prospectus, published in March 2016. A copy of the 2017 Annual Report is 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 2017 Annual Report.

The Company had USD 5.5 million in cash and cash equivalents as of June 30, 2018, including USD 1.5 million cash which was refunded to the Company with accumulated in the period. Previously held as collateral against costs in support of our legal dispute at Aje, these funds have been reclassified on the balance sheet as cash and cash equivalents. The Company expects it is fully funded through the development of Phase 1 at Dussafu, from cash balances, cash flow from operations, and the non-recourse loan from BWEG.

Post-period-end, in July, 2018, the Company announced completion of acquisition (the "Transaction") of DNO Tunisia AS (now renamed to Panoro Tunisia Exploration AS "PTE"). The Transaction has provided Panoro with an established team in place and access to three new assets in a new geography. In addition to assuming the unfulfilled work obligations as part of the Transaction, PTE also retained approximately USD 8.3 million in cash after completion adjustments.

An Equity Private Placement of 10% of Panoro's share capital and sale of treasury shares was also launched simultaneously with the Transaction in June 2018 which resulted in a significantly oversubscribed issue, raising gross proceeds of USD 8.3 million net to Panoro. The Private Placement and sale of treasury shares settled and completed subsequent to quarter end. Following the PTE acquisition and the equity transactions, Panoro's funding situation has strengthened considerably.

3. Segment information

The Group operated predominantly in one business segment being the exploration and production of oil and gas in 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 African segment holds the following assets:
  - The Dussafu licence representing the Group's 8.3333% working interest in the Dussafu Marin exploration licence in Gabon.
  - The OML113-Aje represents the Group's 12.1913% revenue interest, 16.255% paying interest and 6.502% 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.

Q2 2017	Q1 2018	Q2 2018		YTD 2018	YTD 2017
(Unaudited)			**OPERATING SEGMENTS - GROUP NET SALES**	*(Unaudited)*	
350	384	295	**Net average estimated daily production - Aje *(bopd)***	339	299
-	-	68,206	**Oil sales *(bbls) - Net to Panoro***	68,206	26,210
(Unaudited)			**OPERATING SEGMENT - AFRICA**	*(Unaudited)*	
			in USD 000		
(488)	(1,042)	2,424	**EBITDA**	1,382	(2,587)
25,970	-	-	Impairment of E&E Assets	-	25,970
812	854	597	Depreciation and amortisation	1,451	1,571
-	30,984	-	Segment assets	33,971	24,032
			CORPORATE		
			in USD 000		
(703)	(136)	(1,926)	**EBITDA**	(2,062)	(1,148)
18	18	18	Depreciation and amortisation	36	35
-	5,427	-	Segment assets	5,709	8,812
			DISCONTINUED OPERATIONS		
			in USD 000		
(86)	(44)	(45)	Income / (Loss) for the period from discontinued operations	(89)	(188)
-	83	-	Segment assets	58	186
			CONSOLIDATED		
			in USD 000		
(1,191)	(1,178)	498	**EBITDA**	(680)	(3,735)
(86)	(44)	(45)	Income / (loss) for the period from discontinued operations	(89)	(188)
830	872	615	Depreciation and amortisation	1,487	1,606
25,970	-	-	Impairment of E&E Assets	-	25,970
-	36,494	-	Segment assets	39,738	33,030

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. Earnings per share

Q2 2017	Q1 2018	Q2 2018	Amounts in USD 000, unless otherwise stated	YTD 2018	YTD 2017
(Unaudited)				*(Unaudited)*	
(28,112)	(2,270)	(331)	Net profit / (loss) attributable to equity holders of the parent - **Total**	(2,601)	(31,568)
(28,026)	(2,226)	(286)	Net profit / (loss) attributable to equity holders of the parent - **Continuing operations**	(2,512)	(31,380)
42,502	42,502	42,502	Weighted average number of shares outstanding - in thousands	42,502	42,502
(0.66)	(0.05)	(0.01)	Basic and diluted earnings per share (USD) - Total	(0.06)	(0.01)
(0.66)	(0.05)	(0.01)	Basic and diluted earnings per share (USD) - Continuing operations	(0.06)	(0.01)

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

	Licence Interest, Exploration and Evaluation Assets	Development Assets	Production Assets	Total Assets
	USD 000	*USD 000*	*USD 000*	*USD 000*
Net book value				
At January 1, 2018 ***(Audited)***	**13,596**	**1,694**	**9,902**	**25,192**
Development Asset Additions	-	7,722	-	7,722
Depreciation	-	-	(1,451)	(1,451)
At June 30, 2018 ***(Unaudited)***	**13,596**	**9,416**	**8,450**	**31,462**

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 have been broadly categorised between Exploration & Evaluation assets and Production Assets.

On Dussafu, the update on reserves and resources and commencement of the Dussafu development led to a review of the Dussafu capitalised costs; this resulted in the bifurcation of costs being rationalised and categorised between Exploration & Evaluation assets and Development Assets.

6. Share capital

As at June 30, 2018, March 31, 2018 and December 31, 2017, 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.

7. Dussafu non-recourse loan

The Company has in place a non-recourse loan from BW Energy in relation to the funding of the Dussafu development. As of June 30, 2018, Panoro's drawdown on the non-recourse loan was USD 7.1 million. The non-recourse loan is repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses. The repayment will start at First Oil on Dussafu. During the repayment phase, Panoro will still be entitled to its share of profit oil from the Dussafu operations.

8. Other long-term liabilities

Since the settlement of the Aje dispute, the Company has performed a review of historical costs incurred and recognised the liabilities associated with such expenditures in the balance sheet. The proportionate joint venture liabilities resulting from the workover and side-tracks at Aje-5 had been higher than anticipated and in combination with the operation accruals have resulted in proportional liabilities of USD 5.7 million as of June 30, 2018, compared to USD 8.2 Million as of March 31, 2018. Such liabilities continue to be current in nature and are expected to be repaid within 12 months.

In addition to these, USD 6.8 million is classified as long-term liabilities which as per the terms agreed between OML 113 Joint

Venture partners, certain transitional arrangements were introduced whereby unpaid cash calls will not be immediately payable. During the transition period, any excess funds from Panoro's entitlement of crude liftings after paying for its share of operating expenditure shall be used to repay unpaid cash calls. In addition to this, commercial arrangements agreed as part of the interim settlement measures are expected to have the effect of increasing Panoro's existing revenue interest up to the end of 2018. We do not anticipate any use of Panoro's cash resources and expect it to be funded from the sale of our share of Aje crude. An Aje lifting was completed in early August 2018, which will provide net proceeds to Panoro in the region of USD 3 million; Panoro's share of these proceeds will reduce Aje related payables (which includes operating costs) in the third quarter 2018.

9. Subsequent events

At Dussafu, the second development well, DTM-3H completed successfully in July. The DTM-3H well was suspended after installation of the subsea tree and is now ready for production. This activity concludes the phase 1 development well drilling programme at the Tortue field. The Borr Norve jack-up drilling rig moved to the Ruche North East location and has spudded the exploration well, DRNEM-1 with results expected in September. The Ruche North East target is an undrilled 4-way structure at the Gamba reservoir with Dentale potential. The DRNEM-1 well is located about 3.5 km north east of the Ruche field in water depths of 117m. FPSO Adolo reached Gabon in readiness for installation and production start-up at Tortue field.

At Aje, the Operator has received Ministerial consent for OML 113 license renewal for an additional 20 years, subject to the satisfaction of customary financial conditions and a commitment to exploit the Turonian gas potential.

Post-period-end, in July, 2018, the Company announced completion of acquisition (the "Transaction") of DNO Tunisia AS (now renamed to Panoro Tunisia Exploration AS "PTE"). The acquisition is a strategic fit for Panoro's growth plans to establish a portfolio of assets in Tunisia. The Transaction has provided Panoro with an established team in place and access to three new assets in a new geography. In addition to assuming the unfulfilled work obligations as part of the Transaction, PTE also retained approximately USD 8.3 in cash after completion adjustments.

An Equity Private Placement of 10% of Panoro's share capital and sale of treasury shares was also launched simultaneously with the Transaction in June 2018 which resulted in a significantly oversubscribed issue, raising gross proceeds of USD 8.3 million net to Panoro. DNO ASA also participated in the Private Placement with a subscription equivalent to approximately 5.65% of the total enlarged outstanding shares of the Company. The Private Placement and sale of treasury shares settled and completed subsequent to quarter end. Following the PTE acquisition and the equity transactions, Panoro's funding situation has strengthened considerably.

As part of the settlement of the Private Placement, the Company's board of directors utilised its authority to issue new shares. Consequently, the Board of Directors (the "Board") resolved to issue 4,250,219 new shares each at NOK 12.82 per share to the subscribers of Private Placement. Existing shareholders' pre-emptive rights had been set aside in order to facilitate a placement directed towards certain investors. The Board believed this is in the best interests of the Company as a rights issue normally results in a lower subscription price, higher costs and takes longer to complete. The Company's 1,000,000 treasury shares were also sold at the same time at the same price of NOK 12.82 per share.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2018 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

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

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

Disclaimer

Contact information

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