

# Fourth Quarter 2012 Financials

February 21, 2013

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Panoro Energy

ΠΑΝΟΡΟ ΕΝΕΡΓΙΑ

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# Disclaimer

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# Operational Review

## Jan Kielland, CEO

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# Highlights

Fourth quarter 2012 and subsequent events



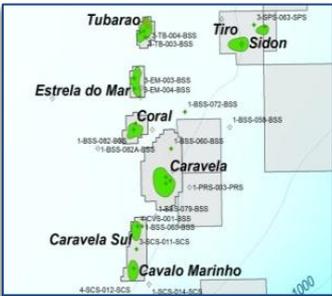
- EBITDA of USD 5.6 million
- Encouraging discovery well in Dussafu, Gabon
- Strong Manati production
- Expect strong production in Q1-13; high demand from gas-fired power stations due to low water levels in reservoirs
- Progress being made on the West African divestment process
- Exploration program completed in Santos with disappointing results
- Impairment charges of USD 47 million in Brazil
- Initiated cost reductions

# Panoro Energy ASA – Group snapshot

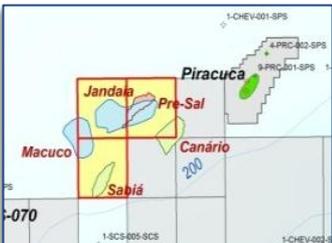
## Brazil



Manati



BS-3



Round 9

■ Listing: Oslo Stock Exchange (OSE)

● Offices: Rio de Janeiro (HQ) , London, Oslo

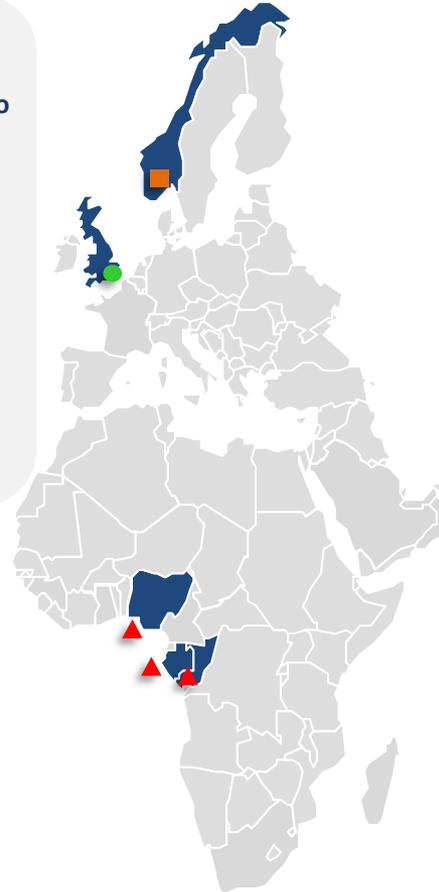
▲ Assets:

### Brazil

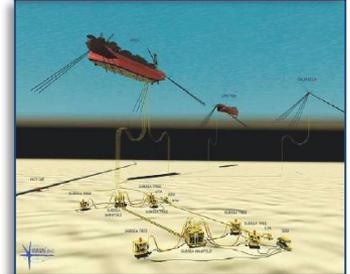
- Manati – Production
- BS-3 (Santos) - Development
- Santos - Exploration

### West Africa

- Aje (Nigeria)
- Dussafu (Gabon)
- MKB (Congo)



## West Africa



Aje



Dussafu



Congo MKB

Shaded areas denote countries where Panoro is listed or has a presence through operations or offices.

# Update on sales process of West Africa portfolio

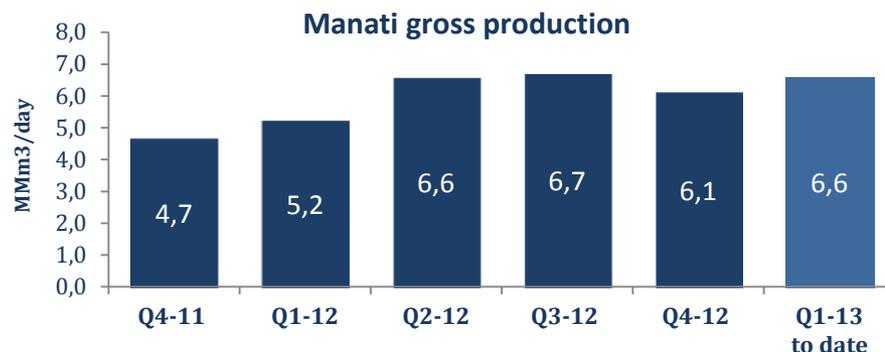
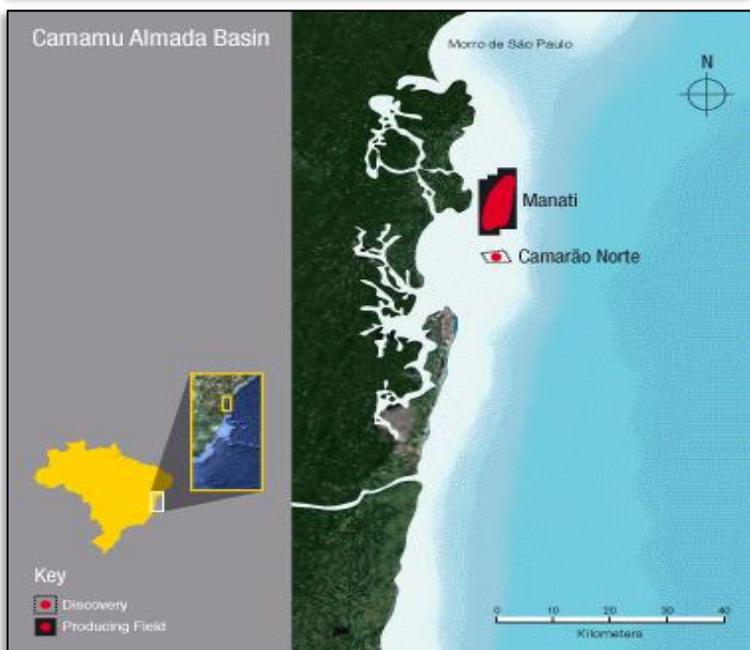
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- **Dussafu** - The recent exploration success gives confidence in additional value and hence not planned for divestment
- **Aje** – Negotiating Sale and Purchase Agreement
  - Transaction will be subject to certain conditions including government approval
  - Further details will be announced when SPA is signed
- **MKB** – Sales discussion continues
  - Ongoing discussion with operator SNPC regarding historical costs
  - Whilst issues remain unresolved, Panoro has halted further cash payments in MKB

# Manati field

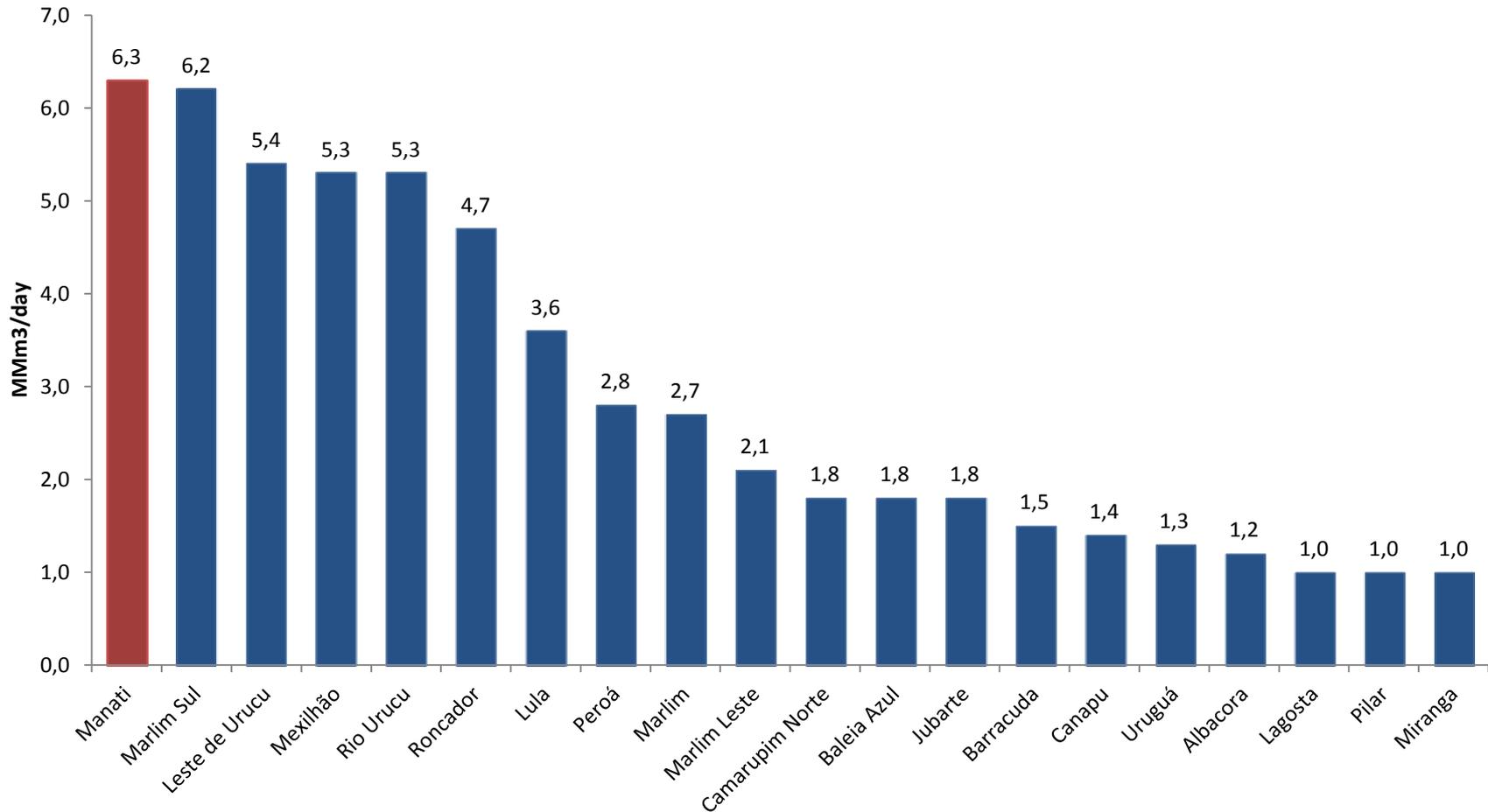
## Continued strong production

<b>Manati (Brazil)</b>	<b>BCAM-40</b>
Operator	Petrobras (35%)
Working Interest	10%
Other Partners	Queiroz Galvão (45%), Brasoil (10%)
1st Prod	2007
Current stage	Production



- Q4-12 gas price of 7.85 USD/MMBtu (Q3-12: 7.96)
- BRL gas price increase of 7.9 % effective as of 1 January 2013 (IGPM inflation)
- Average production of 6.1 MMm3/day (3,860 BOE/day) in 2012, up 49% vs. 2011
- 2-3 weeks scheduled maintenance stop planned for April

# 20 largest gas producing fields in Brazil



Manati gas production provides approx 50% of all gas supply to north-east Brazil

Source: ANP November 2012



# Round 9 exploration blocks

Drilling campaign in southern Santos completed

Round 9 (Brazil)	BM-S-63, BM-S-71, BM-S-72
Operator	Vanco (40%)
Working Interest	15%
Other partners	Brasoil 15 % Ecopetrol 30%
Current stage	Drilling completed

## Project Status

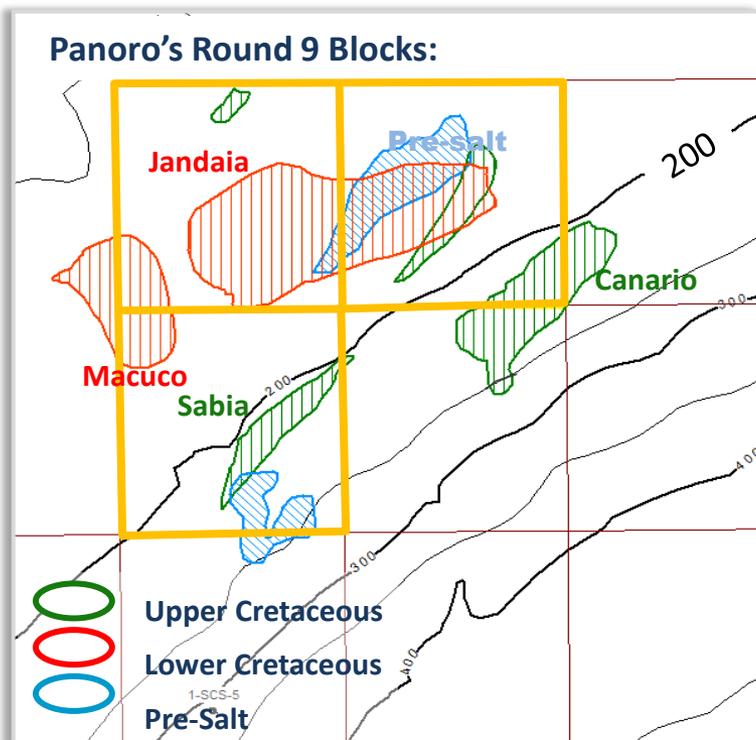
- Impairment of USD 5 million, leaving no residual value on the balance sheet

### Canário and Jandaia:

- Drilling of blocks BM-S-63 (Canário) and BM-S-71 (Jandaia) did not encounter commercial hydrocarbons volumes
- Blocks are being relinquished back to ANP
- Limited financial impact for Panoro as drilling cost was carried

### Sabiá:

- Drilling of block BM-S-72 (Sabiá) encountered hydrocarbon bearing zones, but non-commercial on a stand alone basis
- Joint Venture expected to make final decision for the block in Q1-2013



# Brazil – 11<sup>th</sup> License Round

Scheduled for May 2013



**Brasil11<sup>a</sup>Rodada**  
Licitações de Petróleo e Gás

## Basins to be included in 11<sup>th</sup> Round



- 155,000 km<sup>2</sup> blocks will be offered
- 289 blocks on offer, including 117 blocks from the cancelled Round 8
- 172 blocks have already been confirmed, with 86 onshore and 86 offshore

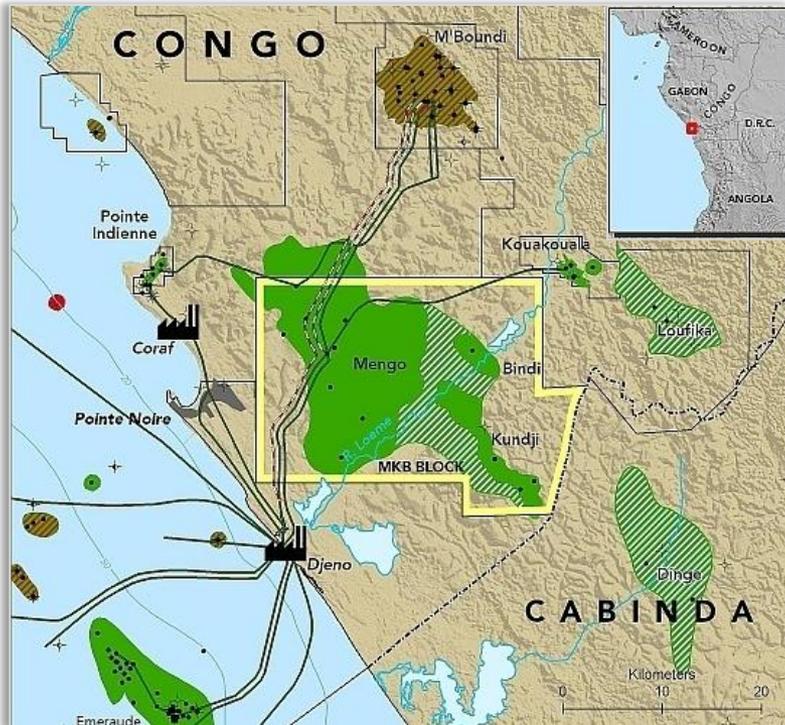
Basin	Offshore/Onshore	# of blocks
Barreirinhas	Offshore	26
Ceará	Offshore	11
Foz do Amazonas	Offshore	32
Pará Maranhão	Offshore	6
Espírito Santos	Onshore	6
Parnaíba	Onshore	20
Recôncavo	Onshore	16
Sergipe	Onshore	25
Potiguar	Offshore/onshore	30

# Mengo-Kundji-Bindi (MKB)

Kundji pilot program in production testing

MKB (Congo)	
Operator	SNPC - Congo National Oil Company (60%)
Working Int.	20%
Other Partners	PetroCI (20%)
1st Prod	2010 test production
Current stage	Pilot project ongoing

- Production ongoing on wells KUN-4bis, KUN-5, KUN-201, KUN-204 and KUN-205
- KUN-202, KUN-203 and KUN-206 currently closed to allow for pressure build-up
- Operator is moving forward with 3D seismic acquisition program over Kundji field

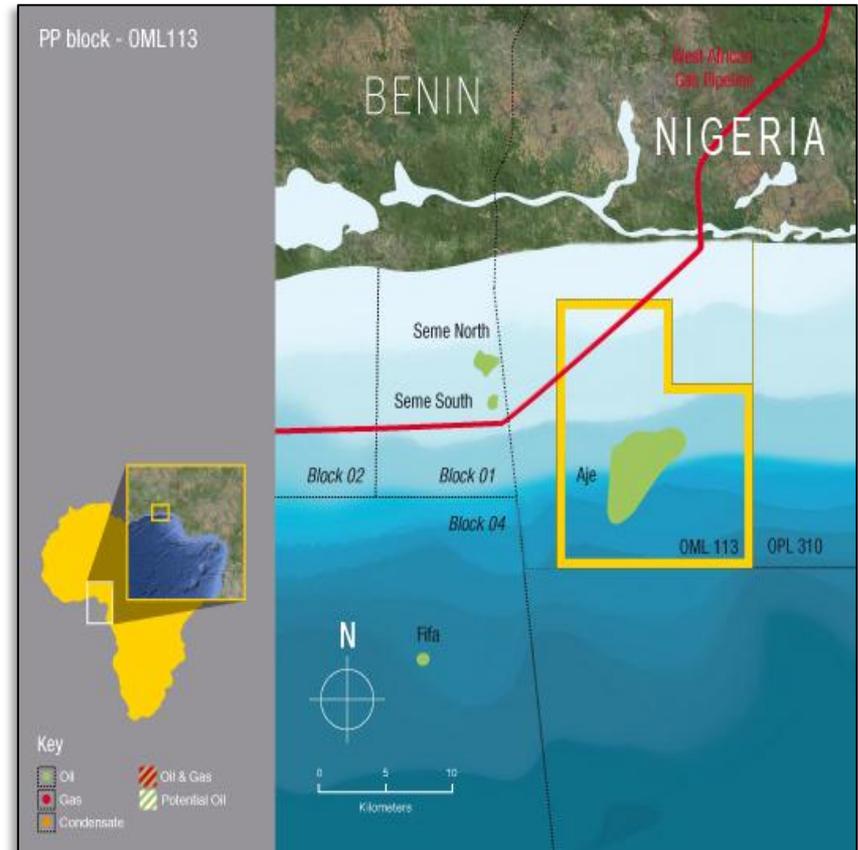


# Aje

## Large gas, condensate and oil discovery

Aje (Nigeria)		OML 113
Operator		YFP
Participating Interest		6.502%*
Other Partners	Vitol, Jacka Resources, Chevron	
1st Production		TBD
Current stage	Field Development Planning	

- Gas, condensate and oil discovery in water depth 100-1,500 meters, 24 km from coastline, close to Lagos and West-Africa Gas Pipeline
- Seismic inversion work completed on new PSDM data
- The joint venture is considering an appraisal well, followed by a potential fast-track oil development
- Environmental Impact Assessment will commence shortly



\* 16.255% paying interest, 12.19% revenue interest

# Dussafu – Recent additional discovery

Large exploration license with multiple discoveries and prospects

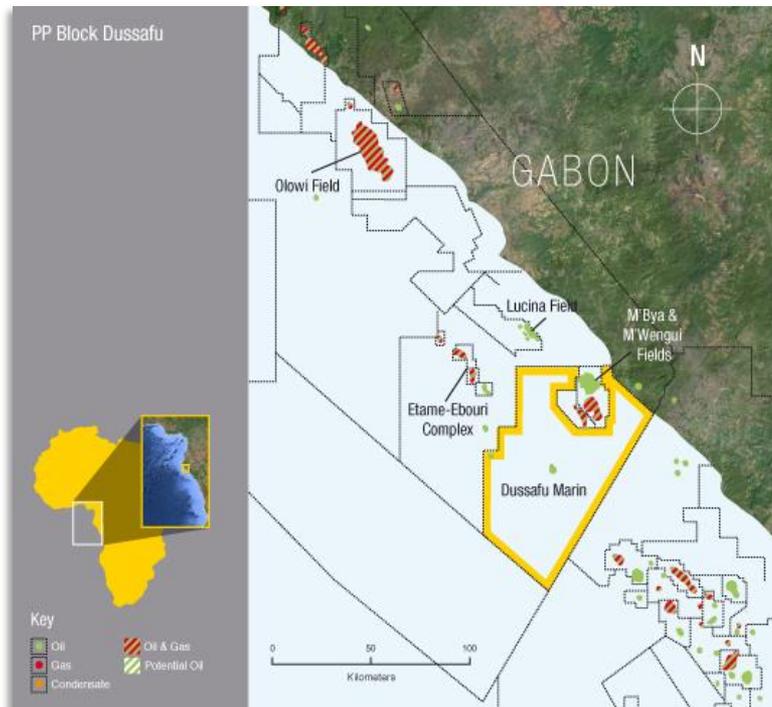
Dussafu (Gabon)		Exploration portfolio
Operator	Harvest Natural Resources (66.67%)	
Working Interest	33.33%	
Other Partners	No others	
Current stage	Exploration	

## Key Facts

- Large PSC with favourable fiscal terms located in the pre-salt trend of the Congo Basin
- Panoro's two recent oil discoveries - Ruche (2011) and Tortue (2013) demonstrate our recent success in identifying oil-bearing structures
- Additionally, three previous discoveries (2 oil, 1 gas) and numerous additional leads and prospects identified on 2D and 3D

## Project Status

- Tortue discovery found oil in both the Gamba and Dentale formations
- Development scenarios are being reviewed
- The discovery in the Dentale formation is very positive for future exploration activity
- Several Dentale leads are of material size in the western part of the Dussafu permit

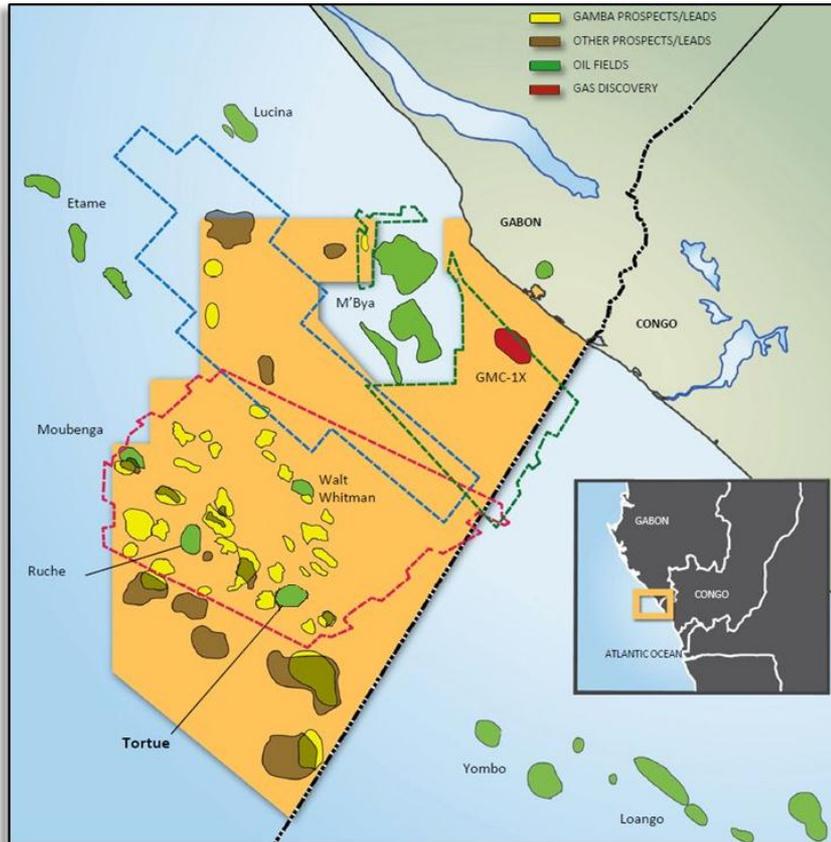


# Tortue Discovery update

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- Results from main hole
  - 25meters of core were taken, 5meters in the Vembo shale, 20meters Gamba
  - 13m of pay in 22m column in Gamba, 38m of pay in stacked Dentale reservoirs
  - Fluid samples and pressure data provides confirmation of oil columns
- Sidetrack results demonstrated 20 meters of oil pay in the primary Dentale reservoir
  - Results suggest good continuity of primary Dentale reservoir over distance of 550m as well as finding other stacked sands with oil shows.
  - Primary Dentale reservoir indicated better reservoir character and apparent similar fluid level to that encountered in the main hole
  - Stuck downhole tool prevented pressure data from being acquired
  - Well suspended due to expiry of rig contract
- Results of the drilling are currently being assessed in order to determine the range of discovered resources

# Dussafu Discoveries and Exploration Potential



- 5 discoveries:
  - Walt Whitman – 4 MMbbl
  - GMC-1X – 5 MMboe (gas)
  - Moubenga – 3 MMbbl
  - Ruche – 11 MMbbl
  - Tortue – to be determined
- Numerous additional prospects and leads
- Various pre-salt plays: in the Gamba, Dentale, Lucina and M'Bya sandstones
- Total gross unrisks prospective resources of 500-600 MMbbl

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# Financial Review

## Anders Kapstad, CFO

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# Financial highlights

Q4-2012 and subsequent events

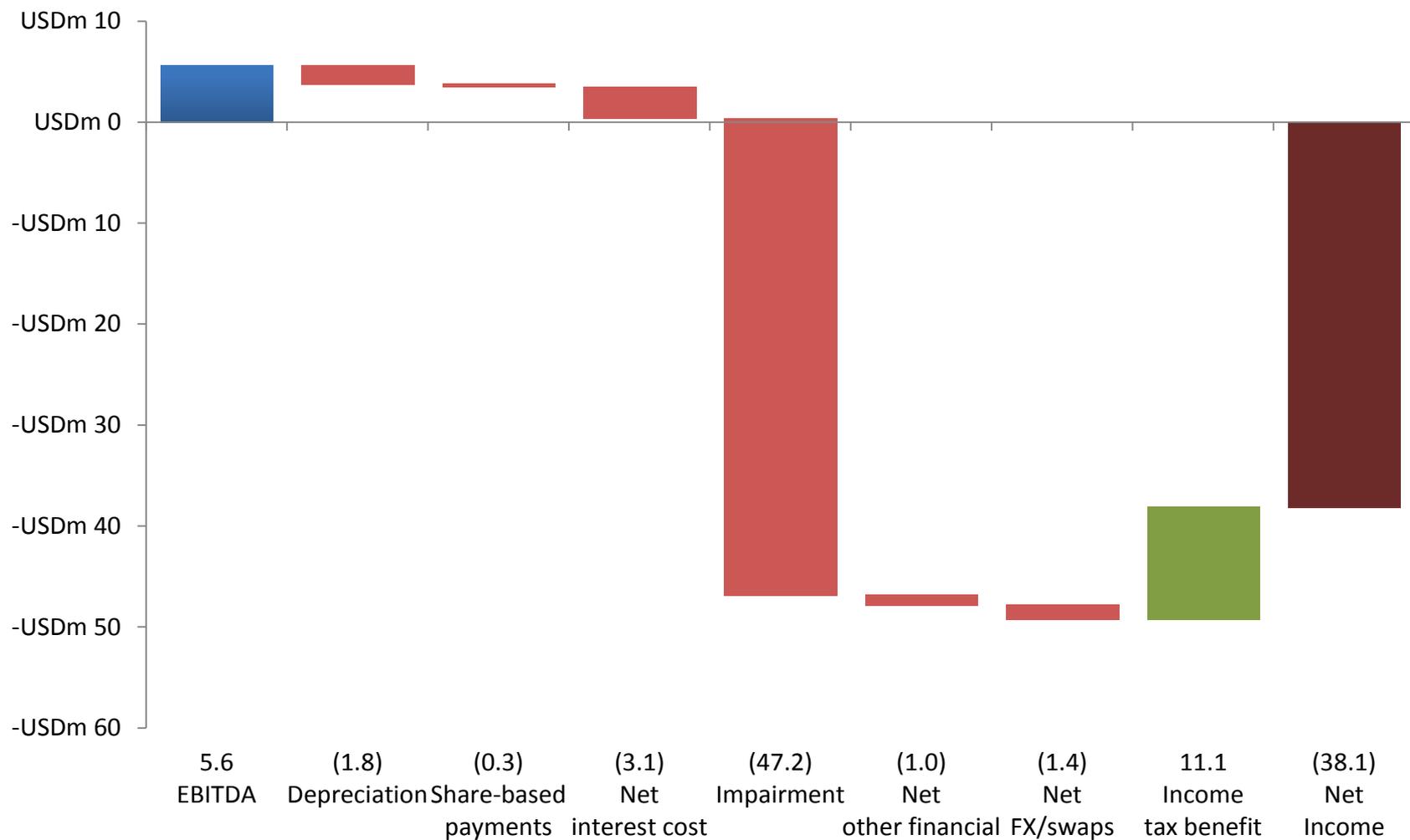
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- EBITDA of USD 5.6 million
- Financial position
  - Cash position of USD 73 million at year end (including restricted cash)
- Limited capital commitment going forward
- Impairment of USD 47 million
  - Estrela do Mar
  - Cavalo Marinho
  - Round 9 assets
- Listing of bonds on Alternative Bond Market (OSE)

# Profit & Loss statement (USD '000)

Condensed consolidated statement of comprehensive income	Q3-2012	Q4-2012
Oil and Gas revenue	12,010	10,845
Other income	891	891
<b>Total revenues and other income</b>	<b>12,901</b>	<b>10,845</b>
Production costs	(1,370)	(1,461)
Exploration related costs	(172)	(94)
General and administrative costs	(4,704)	(3,688)
<b>EBITDA</b>	<b>6,655</b>	<b>5,602</b>

# Profit & Loss items Q4-2012



# Group balance sheet

Per Dec 31, 2012

<b>Balance sheet (USD '000)</b>	<b>Sep 30, 2012</b>	<b>Dec 31, 2012</b>
Licenses and production assets	297,472	261,827
Other non-current assets	8,484	19,991
<b>Total non-current assets</b>	<b>305,956</b>	<b>281,818</b>
Trade and other receivables	19,765	18,981
Cash and bank balances	99,631	73,503
Other current assets	-	-
<b>Total current assets</b>	<b>119,396</b>	<b>92,484</b>
<b>Total Assets</b>	<b>425,352</b>	<b>374,302</b>
<b>Equity</b>	<b>231,332</b>	<b>192,103</b>
Non-current interest-bearing debt	123,981	110,801
Other non-current liabilities	26,608	25,809
<b>Total non-current liabilities</b>	<b>150,589</b>	<b>136,610</b>
Current interest-bearing debt	20,169	15,496
Accounts payable, accruals, other liabilities	23,262	30,093
<b>Total current liabilities</b>	<b>43,431</b>	<b>45,589</b>
<b>Total Equity and liabilities</b>	<b>425,352</b>	<b>374,302</b>

# Year End balance sheet issues

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- Year end reserve update from Gaffney Cline
  - Reclassification of reserves to resources on BS-3 resulted in USD 42 million impairment
  - Deferred Tax Asset increased USD 11 million due to BS-3 impairment
  - No changes in reserves and resources on West Africa portfolio
- Accounts Payables up USD 8 million mainly due to Dussafu and MKB
  - Dussafu cash call paid in Q1-13
  - Outstanding payables net of receivables on MKB : USD 13.4 million
- Strong Equity Ratio: 52 %

# Capital discipline and cost reduction

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- Limited CAPEX
  - Limited firm committed CAPEX in 2013 at approximately USD 26 million
  - Contingent 2013 CAPEX on Dussafu depending on further work
  - Round 11: Limited commitment through carry and marginal investment
  - Post 2013 committed CAPEX currently only on Manati
- G&A target for 2013: Reduction of 1/3
- Cash from divestment process will improve financial flexibility

# Outlook



- Retain capital discipline and cut costs
- Ensure successful divestment of Aje and MKB
- Continued strong Manati gas production as a result of high demand from gas-fired power plants
- Reservoir and conceptual engineering studies in Dussafu in 2013
- Maturing the exploration potential as a result of the encouraging discovery in the Dentale formation

# Fourth Quarter 2012 Financials

Q&A

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