

# Panoro Energy

## ΠΑΝΟΡΟ ΕΝΕΡΓΕΙΑ

### Third Quarter Report 2014

November 5, 2014



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# Highlights and events

## Third quarter 2014 highlights and subsequent events

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- Net loss from continuing operations was US\$ 1.9 million, down from US\$ 2.0 million in the previous quarter
- Strong cash balance with \$52.5 million as of September 30, 2014
- New Board Elected at Extraordinary General Meeting of Shareholders
- Governmental approval of the Ruche Field Development Plan in Dussafu Permit in Gabon with Front End Engineering and Design Studies currently ongoing
- Processing of the outboard 3D seismic data on Dussafu with expected delivery of the final dataset in December
- Final Investment Decision taken for development of the Aje oilfield in Nigeria with first oil production expected by the end of 2015
- Termination of the corporate sales process

# Operational update

## GABON

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### **Dussafu Marine: Harvest (Operator, 66.67%), Panoro Energy (33.33%)**

After the end of the quarter the Ruche area field development plan (FDP) was approved by the Direction Général de Hydrocarbures (DGH). The FDP includes the Ruche A (formerly Ruche), Ruche B (Tortue), Ruche C (Moubenga) and Ruche D (Walt Whitman) discoveries. The development plan is based on a centrally located Floating Production, Storage and Offloading vessel (FPSO) with sub-sea wells tied back from each of these discoveries.

Front End Engineering Design (FEED) studies are underway. These studies consist of subsea engineering, well construction and FPSO identification and vetting. Once the FEED is completed a Final Investment Decision (FID) will be taken by the Dussafu partners. FID is scheduled to be made in Q1 2015 and based on the project schedule, production is expected to start in Q4 2016.

Exploration activities continue in parallel for Dussafu and the outboard 3D seismic data, covering an area of 1,260 km<sup>2</sup>, continues to be depth processed. Initial indications from these data show potential prospective resources for certain structures in the outboard part of the Dussafu license that appear to be much larger than those found in Ruche and Tortue. The Dentale section thickens in the outboard area and the structures appear to be fold related rather than diapiric allowing for potential prospect sizes over a hundred million barrels. Under the recently awarded EEA certain of these structures are now exclusively exploitable by the Dussafu JV for a period of at least 10 years.

The FDP approval by the DGH is an important milestone for the development of Ruche. Panoro look forward to continuing working together with our partner Harvest (Operator) and the Gabonese ministry to move forward with the development of the Ruche area discoveries and to further unlock the significant pre-salt exploration potential within the Dussafu licence.

## NIGERIA

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### **OML 113 Aje field: Panoro Energy (6.5% participating interest, 16.255% paying interest and 12.19% entitlement to revenue stream)**

During the quarter the Final Investment Decision (FID) was made to develop the Aje Cenomanian oil reservoir as proposed in the field development plan (FDP) approved by the Department of Petroleum Resources (DPR) earlier this year.

The FDP is primarily focused on the development of the Cenomanian Oil reservoir and the first phase of the Cenomanian development (Phase 1) includes two subsea production wells tied back to a leased Floating Production Storage and Offloading vessel (FPSO). A contract for the charter of Rubicon's Front Puffin FPSO has been signed, and modifications are starting to bring her into specification for production on the Aje field. Procurement of subsea equipment and the contracting of a drilling rig for the Phase 1 development is also ongoing.

As part of Phase 1, the existing Aje-4 well will be re-entered and completed and a new well Aje-5, will be drilled. The Aje-5 well will be drilled from a seabed location adjacent to Aje-4 and both wells will be connected via a subsea manifold and production flowlines to the FPSO. The Aje-5 well trajectory is designed to intersect the Cenomanian reservoir close to where the Aje-2 well intersected the Cenomanian reservoir. This subsurface target has been selected since Aje-2 demonstrated excellent productivity in a Cenomanian production test conducted in 1997 where it flowed at 3,766 bopd of 41°API oil despite the well sustaining significant productivity impairment during drilling operations.

The Aje Field Cenomanian development investment decision is a very important milestone for the OML 113 JV partners in the commercialisation of all the discovered hydrocarbon resources on the licence. First oil from Aje is scheduled for the end of Q4 2015 at an initial gross production rate of around 10,000 bopd based on AGR TRACS estimates.

Processing for the newly acquired 3D seismic data continues with final Pre Stack Depth Migration data expected to be available at the end of Q1 2015. The seismic processing is being co-ordinated by First Hydrocarbon Nigeria Ltd (a Joint Venture Partner on the OML 113 licence and a subsidiary of Afren plc) through their parent company Afren in conjunction with their neighbouring OPL 310 data. The data will enable better development planning for the second phase of development drilling on Aje and provide improved models to fully evaluate the exploration potential over the whole of the OML 113 licence, including the exciting synrift exploration play that was de-risked though the Ogo discovery made in OPL 310 last year.

## CORPORATE

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On October 14, 2014, the Company's shareholders elected new Directors, Mr. Julien Balkany, Ms. Alexandra Herger, Mr. Lars Brandeggen. Mr. Balkany has also been appointed as the Chairman of the Board of Directors. In addition Ms. Silje Augustson has been re-elected as an incumbent Director to ensure continuity from the previous Board.

The leaving Directors included Mr. Endre O. Sund, Ms. Tone Omsted and Mr. Bjorn Kristian Stadheim, who all have made valuable contribution to Company since their original appointments.

The recently elected Board of Directors has decided to end the corporate sales process. With the assistance of Evercore, Panoro conducted a strategic review of the alternatives available to the Company, including but not limited to various corporate transactions (sale, merger, acquisition, combination) amongst others. During this process, several expressions of interest were received but the Board determined that they did not represent sufficient value in light of the Company's exciting exploration and development assets and strong cash position.

The Company is fully committed to maximizing value. Although the corporate sale process has been formally terminated, the Board along with Management will remain fully dedicated to review and assess all potential options for the benefits of its shareholders.

# Financial information

## Income statement review

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### Third quarter 2014 versus second quarter 2014

From a financial statements perspective, the closure of operations in Brazil is construed as “discontinued operations” and as such have been reported separately from the “continuing business activities”. In order to present the discontinued operations separately, an allocation of income and costs arising from Brazilian operations has been made and all periods presented have been reclassified to reflect these adjustments. On an overall basis, there is no restatement of results in the prior periods presented and only a split of continuing and discontinued operations has been made in these interim financial statements.

The analysis of results as presented below is based on reclassified income statement balances after segregating discontinued operations.

Panoro Energy reported a net loss of USD 1.9 million from continuing operations for the third quarter 2014, a slight improvement of USD 0.1 million, compared to a loss of USD 2.0 million in the second quarter 2014.

Subsequent to the sale of Rio das Contas, no revenue and production costs are presented in the Group statement of comprehensive income in the respective lines as all its results have been included as part of the discontinued operations which have been detailed in note 4 to the interim financial statements.

Exploration related costs and operator G&A increased from USD 0.2 million in 2Q 2014 to USD 0.3 million in 3Q 2014. This is consistent with the operator general and administrative costs on the JVs which do not meet capitalisation criteria. The expenditure has increased compared to previous quarter mainly due to administration involved in moving the projects towards final investment decision.

Strategic review costs show a slight increase in 3Q 2014 at USD 113 thousand from USD 74 thousand in 2Q 2014. These costs mostly related to legal and consulting charges and are of a one-off nature and will discontinue once these processes are concluded.

Severance and restructuring costs incurred in the quarter was USD 33 thousand compared to USD 0.3 million in Q2 2014. This reflects the Head Office portion of the severance costs for the employees in Brazil. The remainder of these costs is reflected in the Discontinued Operations line. The overall costs of severance has been allocated between both continuing and discontinued activities in order to align some of core head office functions which were historically undertaken from Brazil office. The charge for the third quarter represents closure costs for some of the Company’s dormant subsidiaries. In comparison the amount incurred during second quarter 2014 mostly represented the ‘continuing activities’ portion of redundancies in Brazil. The final severance charge for Brazil is expected in 4Q 2014.

General and Administration costs amounted to USD 1.3 million in the third quarter 2014, compared to USD 1.5 million in the second quarter 2014. The decline is mainly a reflection of efficiency achieved after a round of simplification in the organisation.

Depreciation is unchanged at USD 19 thousand from the second quarter 2014.

Impairment charges for both quarters have been reallocated to the Discontinued Operations and related solely to Brazilian assets.

The underlying share based payments charges remains consistent with USD 39 thousand being recognised in the third quarter 2014 compared to USD 38 thousand in the second quarter 2014.

EBIT from continuing operations was thus a negative USD 1.8 million in the third quarter 2014, compared to a negative USD 2.2 million in the second quarter 2014.

Net financial items amounted to a negative USD 0.2 million in the third quarter 2014, primarily made up of costs incurred on repatriation of funds from Brazil.

This compares to net financial items of positive USD 0.2 million in the second quarter 2014 which included a net positive return on interest income from bank placements.

Loss before tax from continuing activities was USD 1.9 million in the third quarter 2014 which was a marginal change from the previous quarter at a loss of USD 2.0 million.

Net loss for the period from discontinued operations was USD 0.3 million for the current quarter compared to a loss of USD 1.4 million for the second quarter of 2014. The second quarter results include the severance and restructuring costs incurred in Brazil and as such the loss was higher.

The total net loss was USD 2.2 million, compared to a net loss of USD 3.4 million in the previous quarter.

Other comprehensive income of a positive USD 4 thousand was a result of translating Brazilian subsidiaries for reporting purposes. Other comprehensive income was a positive USD 0.1 million in the second quarter 2014. The reduction is due to a relatively smaller sized balance sheet in Brazil that is subject to exchange fluctuations.

### Year to date 2014 versus Year to date 2013

From a financial statements perspective, the closure of operations in Brazil is construed as “discontinued operations” and as such have been reported separately from the “continuing business activities”. In order to present the discontinued operations separately, an allocation of income and costs arising from Brazilian operations has been made and all periods presented have been reclassified to reflect these adjustments. On an overall basis, there is no restatement of results in the prior periods presented and only a split of continuing and discontinued operations has been made in these interim financial statements.

Panoro Energy reported a net loss of USD 9.7 million from continued operations for nine months to September 30, 2014, compared to negative USD 25.9 million in the same period in 2013. The decline in net loss from continuing operations was primarily driven by lower interest costs in the current period.

Exploration related costs and operator G&A amounted to USD 0.9 million, up from USD 0.2 million in nine months to September 30, 2013. The increase is a direct correlation to the advancement of both Aje and Dussafu through their respective development phases.

Strategic review costs in the current period amounted to USD 0.2 million representing identifiable overheads incurred on the ongoing process. These costs are of a one-off nature and will discontinue once this process is concluded.

Severance and restructuring costs represent USD 0.4 million and are primarily arising from closure of Brazil office. The overall costs of severance has been allocated between both continuing and discontinued activities in order to align some of core head office functions which were historically undertaken from Brazil office.

General and administration costs decreased to USD 4.1 million in the nine months to September 2014, compared to USD 4.6 million in the same period of 2013. The reduction is due to efficiencies arising from cost reduction programme undertaken by management.

Depreciation decreased marginally by USD 12 thousand to USD 59 thousand during the period from USD 71 thousand in the first nine months of 2013.

This generated an EBIT from continuing operations of negative USD 5.7 million in the nine months to September 30, 2014, compared to negative USD 7.7 million in the previous year.

Net financial items amounted to a negative USD 4.0 million in the nine months to September 30, 2014, including net interest and redemption costs of USD 12.6 million, net other financial costs of USD 0.1 million offset by the reversal of the effects of re-measurement of bond liability USD 8.7 million and a net foreign exchange gain of USD 16 thousand.

This compared to net financial items of a negative USD 18.1 million in the nine months ended September 30, 2013, including net interest costs of USD 11.9 million, the effects of re-measurement of bond liability USD 8.8 million and a net foreign exchange gain of USD 2.5 million.

Loss before tax from continuing operations was USD 9.7 million for the period ended September 30, 2014, compared to USD 25.9 million in the same period of 2013.

The net loss from continuing operations was USD 9.7 million in the nine months to September 30, 2014, compared to a net loss of USD 25.9 million for the same period of 2013.

Discontinued operations for the period ended September 30, 2014 generated a positive USD 39.4 million of income compared to USD 9.0 million in the comparative period. The results for nine months ended September 30, 2014 mainly represent gain on sale of shares in Rio das Contas compared to the operating income from operations in Brazil in the comparative period.

Net income / (loss) for the period ended September 30, 2014 was positive USD 29.6 million compared to negative USD 16.9 million for the period ended September 30, 2013.

Other comprehensive income of a positive USD 3.5 million reflects translation of Brazilian subsidiaries for reporting purposes.

## Statement of financial position review

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### **Movements to September 30, 2014 from June 30, 2014**

Movements in the Group statement of financial position during the third quarter of 2014 were a combination of the following:

#### **Non-current assets**

Non-current assets amounted to USD 100.0 million at September 30, 2014, an increase of USD 1.5 million from June 30, 2014.

Licences and exploration assets amounted to USD 99.9 million, an increase of USD 1.5 million since June 2014. The main reason for the increase was the continued push towards full development on both Aje and Dussafu. Subsequent to the third quarter 2014, the OML-113 partners have taken a final investment decision on development of Aje Cenomanian oil reservoir. As such, an allocation will be made to reflect the historical costs for Aje as a development asset.

Property, furniture, fixtures and equipment was USD 110 thousand declining from USD 119 thousand at June 30, 2014. The decline represents effects of depreciation offset by addition of equipment.

#### **Current assets**

Current assets amounted to USD 57.2 million per September 30, 2014, compared to USD 63.0 million per June 30, 2014.

Trade and other receivables stood at USD 4.7 million, an increase from USD 3.0 million at the end of June 2014. The main increase in receivable is the balance of Aje development cash calls prepaid during the period against development expenditure. The main item being the cash deposit earmarked for capital expenditure on the FPSO vessel. Cash and bank balances stood at USD 52.5 million per September 30, 2014, a decrease from USD 60.1 million per June 30, 2014.

#### **Equity**

Equity amounted to USD 151.6 million per September 30, 2014, compared to USD 153.8 million at the end of June 2014. The change reflects the loss for the period.

#### **Non-current liabilities**

Total non-current liabilities amounted to USD 4.4 million per September 30, 2014, unchanged from June 30, 2014 which represents a deferred tax liability arising on a business combination in 2010.

#### **Current liabilities**

Current liabilities amounted to USD 1.2 million at September 30, 2014, compared to USD 3.4 million at the end of June 2014.

Accounts payable, accruals and other liabilities amounted to USD 1.2 million, a decrease from USD 3.4 million at the end of June 2014. The decrease is mainly a result of reversal of excess accruals in Dussafu JV and a higher unspent cash balance in both the projects per September end.

### **Movements to September 30, 2014 from December 31, 2013**

Movements in the Group statement of financial position during the nine months ending September 30, 2014 were a combination of the following:

#### **Non-current assets**

Non-current assets amounted to USD 100.0 million at September 30, 2014, a decrease of USD 6.8 million from December 31, 2013.

Licences and exploration assets amounted to USD 99.9 million, an increase of USD 5.1 million in the nine month period. The main reason for the increase was expenditure on orders of long-lead items, FPSO deposit, 3D seismic data acquisition and reprocessing and costs incurred on preparation of Field Development Plan on both Aje and Dussafu.

Property, furniture, fixtures and equipment remained largely unchanged at USD 0.1 million and USD 0.2 million for September 30, 2014 and December 31, 2013 respectively.

#### **Current assets**

Current assets amounted to USD 57.2 million per September 30, 2014, compared to USD 57.7 million per December 31, 2013.

Trade and other receivables stood at USD 4.7 million, increasing from USD 1.0 million at the end of December 2013 due to an increase in the receivable balance of prepaid Aje development cash calls during the period.

Cash and bank balances stood at USD 52.5 million per September 30, 2014, a decrease from USD 56.7 million per December 31, 2013. The decrease is mainly impacted by the receipt of the USD 140 million proceeds from the sale of Rio das Contas at the end of March 2014 and the subsequent settlement of the Bond to bondholders on April 4, 2014 effectively leaving the Company debt-free.

#### **Assets classified as held for sale**

Assets classified as held for sale was nil per September 30, 2014 following the completion of the sale of the Company's subsidiary Rio das Contas to GeoPark.



### Equity

Equity amounted to USD 151.6 million per September 30, 2014, compared to USD 118.4 million at the end of December 2013. The change reflects the profit for the period and a positive movement in currency translation reserves.

### Non-current liabilities

Total non-current liabilities amounted to USD 4.4 million per September 30, 2014 and December 31, 2013 which represents a deferred tax liability arising on a business combination in 2010.

### Current liabilities

Current liabilities amounted to USD 1.2 million at September 30, 2014, compared to USD 124.2 million at the end of December 2013.

Interest bearing debt was nil per September 30, 2014 down from USD 118.9 million at the end of December 2013 following the settlement of the Bond to bondholders on April 4, 2014. Accounts payable, accruals and other liabilities amounted to USD 1.2 million, a decrease from USD 5.3 million at the end of December 2013. The decrease is a result of lower liabilities towards joint ventures in West Africa at the end of September 2014.

### Liabilities directly associated with assets classified as held for sale

Liabilities directly associated with assets classified as held for sale was nil per September 30, 2014 down from USD 14.4 million per December 31, 2013, following the completion of the sale of the Company's subsidiary Rio das Contas to GeoPark.

## **Funding**

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Cash and bank balances amounted to USD 52.5 million at September 30, 2014. Following the completion of the sale of the Company's subsidiary Rio das Contas to GeoPark and subsequent full repayment of the bond on April 4, 2014, the Company was left debt-free.

# Outlook

- Development of Aje Cenomanian oil field over the next year targeting first oil by Q4 2015
- The processed 3D seismic on OML 113 is expected to be received by end of 1Q 2015
- The processed 3D seismic data for Dussafu is expected to be received late 4Q 2014
- The 3D seismic data for both the blocks will form the basis of risked prospective resources in both Dussafu and OML-113, in addition to de-risking the proven reserves
- Final Investment Decision on Ruche development on Dussafu permit is expected in 1Q 2015

The Board of Directors  
Panoro Energy ASA  
Oslo, November 5, 2014

Julien Balkany  
*Chairman*

Silje Christine Augustson  
*Board member*

Alexandra Herger  
*Board member*

Lars Brandeggen  
*Board member*

# Condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED SEPTEMBER 30, 2014

Q3	Q2	Q3			YTD	YTD
2013	2014	2014	Amounts in USD 000	Note	2014	2013
(Unaudited)					(Unaudited)	
<u>Continuing Operations</u>						
-	-	-	Oil and Gas revenue		-	-
-	-	-	<b>Total revenues</b>		-	-
-	-	-	Production costs		-	
(54)	(168)	(251)	Exploration related costs and operator G&A		(856)	(224)
(471)	(74)	(113)	Strategic review costs		(210)	(1,056)
-	(350)	(33)	Severance and restructuring costs		(401)	-
(1,407)	(1,549)	(1,310)	General and administrative costs		(4,061)	(4,593)
<b>(1,932)</b>	<b>(2,141)</b>	<b>(1,707)</b>	<b>EBITDA</b>		<b>(5,528)</b>	<b>(5,873)</b>
-	-	-	Gain / (loss) on sale of exploration and evaluation assets (net of tax)		-	(1,667)
(22)	(19)	(19)	Depreciation		(59)	(71)
(125)	(38)	(39)	Share based payments		(114)	(87)
<b>(2,079)</b>	<b>(2,198)</b>	<b>(1,765)</b>	<b>EBIT - Operating income/(loss)</b>		<b>(5,701)</b>	<b>(7,698)</b>
(3,624)	188	(33)	Interest costs net of income	9	(12,595)	(11,907)
(4)	(21)	(53)	Other financial costs net of income		(128)	(11)
3,171	-	-	Effects of re-measurement of bond liability	9	8,694	(8,796)
(18)	14	(73)	Net foreign exchange gain/(loss)		16	2,549
<b>(2,554)</b>	<b>(2,017)</b>	<b>(1,924)</b>	<b>Income/(loss) before tax</b>		<b>(9,714)</b>	<b>(25,863)</b>
-	-	-	Income tax benefit/(expense)		-	-
<b>(2,554)</b>	<b>(2,017)</b>	<b>(1,924)</b>	<b>Net income/(loss) for the period from continuing operations</b>		<b>(9,714)</b>	<b>(25,863)</b>
<u>Discontinued operations</u>						
(1,371)	(1,381)	(298)	Net income / (loss) for the period from discontinued operations	4	39,360	9,013
<b>(3,925)</b>	<b>(3,398)</b>	<b>(2,222)</b>	<b>Net income / (loss) for the period</b>		<b>29,646</b>	<b>(16,850)</b>
(1,034)	134	4	Exchange differences arising from translation of foreign operations		3,507	(13,485)
<b>(1,034)</b>	<b>134</b>	<b>4</b>	<b>Other comprehensive income/(loss) for the period (net of tax)</b>		<b>3,507</b>	<b>(13,485)</b>
<b>(4,959)</b>	<b>(3,264)</b>	<b>(2,218)</b>	<b>Total comprehensive income/(loss) for the period</b>		<b>33,153</b>	<b>(30,335)</b>
<b>Net income /(loss) for the period attributable to:</b>						
(3,925)	(3,398)	(2,222)	Equity holders of the parent		29,646	(16,850)
<b>Total comprehensive income/(loss) for the period attributable to:</b>						
(4,959)	(3,264)	(2,218)	Equity holders of the parent		33,153	(30,335)
<b>Earnings per share (Note 5)</b>						
(0.02)	(0.01)	(0.01)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		0.13	(0.07)
(0.01)	(0.01)	(0.01)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.04)	(0.11)

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

Certain amounts shown here do not correspond to the previously published quarterly information and reflect adjustments made for disclosure of discontinued operations, refer Note 4.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT SEPTEMBER 30, 2014

<i>Amounts in USD 000</i>	Note	September 30,	June 30,	December 31,
		2014	2014	2013
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Non-current assets</b>				
Licenses and exploration assets	6	99,889	98,383	94,755
Property, furniture, fixtures and office equipment		110	119	189
Deferred tax assets			-	11,899
<b>Total Non-current assets</b>		<b>99,999</b>	<b>98,502</b>	<b>106,843</b>
<b>Current assets</b>				
Trade and other receivables		4,693	2,963	969
Cash and cash equivalents	7	52,526	60,081	54,152
Restricted cash	7	-	-	2,604
<b>Total current assets</b>		<b>57,219</b>	<b>63,044</b>	<b>57,725</b>
Assets classified as held for sale		-	-	96,856
<b>Total Assets</b>		<b>157,218</b>	<b>161,546</b>	<b>261,424</b>
<b>Equity</b>				
Share capital	8	56,333	56,333	56,333
Other equity		95,263	97,439	62,115
<b>Equity attributable to equity holders of the parent</b>		<b>151,596</b>	<b>153,772</b>	<b>118,448</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities		4,376	4,376	4,376
<b>Total Non-current liabilities</b>		<b>4,376</b>	<b>4,376</b>	<b>4,376</b>
<b>Current liabilities</b>				
Current interest bearing debt	9	-	-	118,912
Accounts payable, accruals and other liabilities		1,246	3,398	5,268
<b>Total current liabilities</b>		<b>1,246</b>	<b>3,398</b>	<b>124,180</b>
Liabilities directly associated with assets classified as held for sale		-	-	14,420
<b>Total Liabilities</b>		<b>5,622</b>	<b>7,774</b>	<b>142,976</b>
<b>Total Equity and Liabilities</b>		<b>157,218</b>	<b>161,546</b>	<b>261,424</b>

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

# CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED SEPTEMBER 30, 2014

Q3 2013	Q2 2014	Q3 2014	Amounts in USD 000	YTD 2014	YTD 2013
(Unaudited)					
Cash flows from operating activities					
(2,554)	(2,017)	(1,924)	Net (loss)/ income from continuing operations	(9,714)	(25,863)
5,498	(1,381)	(298)	Net (loss)/ income from discontinued operations	51,146	17,552
2,944	(3,398)	(2,222)	Net (loss)/ income for the period before tax	41,432	(8,311)
Adjusted for:					
52	19	20	Depreciation	62	2,408
(3,171)	-	-	Effect of re-measurement of bond liability	(8,694)	8,796
-	201	222	Impairment and asset write-off	596	-
-	88	176	(Gain)/loss on disposal of subsidiary / assets	(53,495)	1,667
3,168	(188)	16	Net finance costs	12,512	10,788
144	37	(42)	Share-based payments	4	144
260	(981)	292	Foreign exchange gains/losses	(372)	(1,050)
1,399	1,947	(1,838)	Increase/(decrease) in trade and other payables	2,044	3,029
(73)	(119)	(811)	(Increase)/decrease in trade and other receivables	(4,105)	(847)
(888)	-	-	Taxes paid	-	(2,898)
3,835	(2,394)	(4,187)	Net cash flows from operating activities	(10,016)	13,726
Cash flows from investing activities					
445	(723)	(3,155)	Investment in exploration, production and other assets	(6,412)	(18,411)
38,000	-	-	Proceeds from the disposal of subsidiary (net of costs)	139,100	38,000
(8,536)	-	-	Cash and cash equivalents classified as held for sale	-	(19,667)
29,909	(723)	(3,155)	Net cash flows from investing activities	132,688	(78)
Cash flows from financing activities					
118	(762)	(224)	Net financial charges paid	(1,064)	(9,743)
-	(123,394)	-	Repayment of Bond	(123,394)	-
(7,307)	177,423	-	Movement in restricted cash balance	-	(14,014)
(7,189)	53,267	(224)	Net cash flows from financing activities	(124,458)	(23,757)
(1,004)	229	11	Effect of foreign currency translation adjustment on cash balances	160	(3,690)
25,551	50,379	(7,555)	Change in cash and cash equivalents during the period	(1,626)	(13,799)
31,273	9,702	60,081	Cash and cash equivalents at the beginning of the period	54,152	70,623
56,824	60,081	52,526	Cash and cash equivalents at the end of the period	52,526	56,824

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

Certain amounts shown here do not correspond to the previously published quarterly information and reflect adjustments made for disclosure of discontinued operations, refer Note 4.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 30, 2014 <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
<b>At January 1, 2014 - (Audited)</b>	<b>56,333</b>	<b>288,858</b>	<b>66,021</b>	<b>(210,787)</b>	<b>(37,647)</b>	<b>(44,331)</b>
Net income/(loss) for the period - Continuing Operations	-	-	-	(5,773)	-	-
Net income/(loss) for the period - Discontinued Operations	-	-	-	41,039	-	-
Other comprehensive income/(loss)	-	-	-	-	-	3,369
Total comprehensive income/(loss)	-	-	-	35,266	-	3,369
Translation adjustment realised on sale of Rio das Contas	-	-	-	(35,195)	-	35,195
Employee share options	-	-	9	-	-	-
<b>At March 31, 2014 - (Unaudited)</b>	<b>56,333</b>	<b>288,858</b>	<b>66,030</b>	<b>(210,716)</b>	<b>(37,647)</b>	<b>(5,767)</b>
Net income/(loss) for the period - Continuing Operations	-	-	-	(2,017)	-	-
Net income/(loss) for the period - Discontinued Operations	-	-	-	(1,381)	-	-
Other comprehensive income/(loss)	-	-	-	-	-	134
Total comprehensive income/(loss)	-	-	-	(3,398)	-	134
Employee share options	-	-	(55)	-	-	-
<b>At June 30, 2014 - (Unaudited)</b>	<b>56,333</b>	<b>288,858</b>	<b>65,975</b>	<b>(214,114)</b>	<b>(37,647)</b>	<b>(5,633)</b>
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,924)	-	-
Net income/(loss) for the period - Discontinued Operations	-	-	-	(298)	-	-
Other comprehensive income/(loss)	-	-	-	-	-	4
Total comprehensive income/(loss)	-	-	-	(2,222)	-	4
Employee share options	-	-	42	-	-	-
<b>At September 30, 2014 - (Unaudited)</b>	<b>56,333</b>	<b>288,858</b>	<b>66,017</b>	<b>(216,336)</b>	<b>(37,647)</b>	<b>(5,629)</b>

  

For the six months ended September 30, 2013 <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
<b>At January 1, 2013 - (Audited)</b>	<b>56,333</b>	<b>288,858</b>	<b>65,786</b>	<b>(156,035)</b>	<b>(37,647)</b>	<b>(25,192)</b>
Net income/(loss) for the period - Continuing Operations	-	-	-	(5,018)	-	-
Net income/(loss) for the period - Discontinued Operations	-	-	-	6,127	-	-
Other comprehensive income/(loss)	-	-	-	-	-	2,177
Total comprehensive income/(loss)	-	-	-	1,109	-	2,177
Employee share options	-	-	(70)	-	-	-
<b>At March 31, 2013 - (Unaudited)</b>	<b>56,333</b>	<b>288,858</b>	<b>65,716</b>	<b>(154,926)</b>	<b>(37,647)</b>	<b>(23,015)</b>
Net income/(loss) for the period - Continuing Operations	-	-	-	(18,291)	-	-
Net income/(loss) for the period - Discontinued Operations	-	-	-	4,257	-	-
Other comprehensive income/(loss)	-	-	-	-	-	(14,628)
Total comprehensive income/(loss)	-	-	-	(14,034)	-	(14,628)
Employee share options	-	-	70	-	-	-
<b>At June 30, 2013 - (Unaudited)</b>	<b>56,333</b>	<b>288,858</b>	<b>65,786</b>	<b>(168,960)</b>	<b>(37,647)</b>	<b>(37,643)</b>
Net income/(loss) for the period - Continuing Operations	-	-	-	(2,554)	-	-
Net income/(loss) for the period - Discontinued Operations	-	-	-	(1,371)	-	-
Other comprehensive income/(loss)	-	-	-	-	-	(1,034)
Total comprehensive income/(loss)	-	-	-	(3,925)	-	(1,034)
Employee share options	-	-	144	-	-	-
<b>At September 30, 2013 - (Unaudited)</b>	<b>56,333</b>	<b>288,858</b>	<b>65,930</b>	<b>(172,885)</b>	<b>(37,647)</b>	<b>(38,677)</b>

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

Certain amounts shown here do not correspond to the previously published quarterly information and reflect adjustments made for disclosure of discontinued operations, refer Note 4.

# 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 office is Dronning Maudsgt. 1-3, 0124 Oslo, Norway.

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in West Africa. The unaudited condensed consolidated financial statements of the Group for the period ended September 30, 2014 were authorised for issue by the Board of Directors on November 5, 2014.

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 in the Company's 2013 Annual report. The 2013 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

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's 2013 Annual report.

## 3. Segment information

From 1Q 2014, the Group operated predominantly in one business segment being the exploration of oil and gas in West Africa. After the divestment of Company's interest in Manati field at the end of March 2014, the Group is only left with West African operating business. Furthermore, during 2Q the Company has taken a decision to cease all operations in Brazil and as such segment has been classified as a discontinued operation. Details of discontinued operations can be referred to in note 4. As such, the segment information for June 30, 2014 and September 30, 2014 does not include Brazilian operations. 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 33.3% working interest in the Dussafu Marin exploration licence in Gabon.
  - The OML113-Aje represents the Group's 6.5% participating interest (12.19% profit 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.

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 after disposal of subsidiary in Brazil. Details of group segments are reported below.

Q3 2013	Q2 2014	Q3 2014		YTD 2014	YTD 2013
(Unaudited)			OPERATING SEGMENTS - WEST AFRICA	(Unaudited)	
in USD 000					
(824)	(81)	(227)	EBITDA	(840)	(991)
-	-	-	Gain / (loss) on disposal of licenses	-	(1,667)
-	-	-	Segment assets excluding held for sale	103,492	55,885
-	-	-	Segment assets classified as held for sale	-	33,521
CORPORATE					
in USD 000					
(1,108)	(1,545)	(1,481)	EBITDA	(4,688)	(4,882)
22	19	19	Depreciation and amortisation	59	71
-	-	-	Segment assets excluding held for sale	51,420	68,968
DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE					
in USD 000					
(1,371)	(1,381)	(298)	Income / (loss) for the period from discontinued operations	39,360	9,013
-	-	-	Segment assets excluding held for sale	2,306	66,642
-	-	-	Segment assets classified as held for sale	-	104,358
CONSOLIDATED					
in USD 000					
(1,932)	(1,626)	(1,707)	EBITDA	(5,528)	(5,873)
22	26	19	Depreciation and amortisation	59	71
-	-	-	Gain / (loss) on disposal of licenses	-	(1,667)
(1,371)	(1,381)	(298)	Income / (loss) for the period from discontinued operations	39,360	9,013
-	-	-	Segment assets excluding held for sale	157,218	191,495
-	-	-	Segment assets classified as held for sale	-	137,879

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 and disposals of shares in subsidiary

Subsequent to the sale of its fully owned Subsidiary Rio das Contas, the Board of Directors have formally decided to exit Brazil and wind-down the operations. As a result, remaining licences in BS-3 area have been relinquished and abandonment plans have been filed with ANP. The office premises in Rio de Janeiro have also been closed with only key personnel managing the exit formalities on a transitional basis.

The Company intends to keep a low-cost corporate presence for its subsidiary Panoro Energy do Brasil Ltda, which is entitled to the contingent earn-out from GeoPark over the next four years.

As a result, the operations of Company's subsidiaries in Brazil have been classified as discontinued operations under IFRS 5. The results of Brazilian segment for the previous quarters have therefore been carved out of the operating results and presented below as discontinued operations:

<b>Q3</b> <b>2013</b> <b>USD 000 - (Unaudited)</b>	<b>Q2</b> <b>2014</b>	<b>Q3</b> <b>2014</b>		<b>YTD</b> <b>2014</b> <b>USD 000 - (Unaudited)</b>	<b>YTD</b> <b>2013</b>
10,795	-	-	Oil and gas revenue	10,393	33,004
<b>10,795</b>	-	-	<b>Total revenues</b>	<b>10,393</b>	<b>33,004</b>
(3,981)	-	-	Production costs	(1,398)	(8,001)
(53)	-	-	Exploration related costs and operator G&A	-	(216)
(102)	-	-	Strategic review costs	-	(267)
-	(242)	-	Severance and restructuring costs	(242)	-
(966)	(602)	(332)	General and administration costs	(1,795)	(3,570)
<b>5,693</b>	<b>(844)</b>	<b>(332)</b>	<b>EBITDA</b>	<b>6,958</b>	<b>20,950</b>
(30)	(1)	-	Depreciation	(3)	(2,337)
(364)	(201)	(222)	Impairment	(596)	(635)
(19)	93	(3)	Share based payments	118	(57)
-	(88)	(176)	Gain / (loss) on sale of subsidiary (note 4.1)	45,169	-
<b>5,280</b>	<b>(1,041)</b>	<b>(733)</b>	<b>EBIT - Operating income / (loss)</b>	<b>51,646</b>	<b>17,921</b>
554	41	80	Interest costs net of income	648	1,690
(94)	(20)	(10)	Other financial costs net of income	(76)	(560)
(242)	(361)	365	Net foreign exchange gain / (loss)	(158)	(1,499)
<b>5,498</b>	<b>(1,381)</b>	<b>(298)</b>	<b>Income / (loss) before tax</b>	<b>52,060</b>	<b>17,552</b>
(6,869)	-	-	Income tax benefit / (expense)	(12,700)	(8,539)
<b>(1,371)</b>	<b>(1,381)</b>	<b>(298)</b>	<b>Net income / (loss) for the period from discontinued operations</b>	<b>39,360</b>	<b>9,013</b>
0.01	(0.01)	-	Earnings per share – basic and diluted (USD) for the period from discontinued operations	0.17	0.04

In order to have consistency of results, certain costs have been allocated to continuing operations under general & administration costs and severance and restructuring costs for prior and current periods presented. Such adjustments were necessary to apportion realistic costs to continuing activities considering the shared roles of CFO and Investor Relations personnel which were both based in Brazil over the past two years. Such allocation has been consistently applied in the current quarter and prior quarters that have been reclassified.

##### 4.1. Disposal of shares in subsidiary

On May 14, 2013, the Company's wholly owned subsidiary Panoro Energy do Brasil Ltda entered into a sales and purchase agreement (SPA) to divest its Brazilian subsidiary Rio das Contas to GeoPark Brasil Ltda for a total consideration of USD 140 million plus contingent earn-out. Rio das Contas is the direct beneficial owner of 10% of the BCAM-40 Block in the Camamu-Almada basin offshore Brazil, which includes the Manati and Camarão Norte fields where Panoro Energy held a 10% interest. Cash proceeds from the transaction was used to redeem Panoro Energy's outstanding bond loans (ISIN NO 001 059097.9 and NO 001 059096.1) which left the Company debt free.

The purchase consideration for the shares in Rio das Contas comprised an initial payment of USD 140 million, adjusted by working capital, with effective date of the transaction April 30, 2013 to be paid in cash upon closing. In addition, a contingent earn-out will be paid in cash over the 5-year period from January 1, 2013 to December 31, 2017. The annual earn-out payments will equal 45 % of the annual net cash flow exceeding USD 25 million. The total earn-out is capped at USD 20 million.

On March 26, 2014, the Brazilian Petroleum Agency (ANP) approved the sale of RdC to GeoPark by replacing the parental guarantee which was one of the main conditions to completion. Subsequent to ANP approval, all shares in RdC have been transferred to GeoPark and the consideration received has been used to repay the bond liability in full.

The disposal of subsidiary resulted in a provisional net gain of USD 52.1 million (including 1Q results of USD 8.2 million) which has been recognised in the statement of comprehensive income under discontinued operations.

In addition to recognising the gain on sale of subsidiary, the Group has also recognised a deferred tax expense of USD 11.8 million which represents a write-down of the previously recognised deferred tax asset in Brazil. The deferred tax arose on tax losses in Brazil which were absorbed by the gain generated on the sale of Rio das Contas. Cash outflows on account of income tax are not expected on conclusion of the sale transaction per management's interpretation of the current tax rules.

The accumulated currency translation reserve of negative USD 35.2 million for Rio das Contas has also been realised and as such transferred to retained earnings as of the date of disposal.

## 5. Earnings per share

Q3 2013	Q2 2014	Q3 2014		YTD 2014	YTD 2013
(Unaudited)			Amounts in USD 000, unless otherwise stated		(Unaudited)
(3,925)	(3,398)	(2,222)	Net profit / (loss) attributable to equity holders of the parent – Total	29,646	(16,850)
(2,554)	(2,017)	(1,924)	Net profit / (loss) attributable to equity holders of the parent - continuing operations	(9,714)	(25,863)
234,546	234,546	234,546	Weighted average number of shares outstanding - in thousands	234,546	234,546
(0.02)	(0.01)	(0.01)	Basic and diluted earnings per share (USD) - Total	0.13	(0.07)
(0.01)	(0.01)	(0.01)	Basic and diluted earnings per share (USD) – Continuing operations	(0.04)	(0.11)

### Diluted earnings per share

The Group had 3,091,671 outstanding share options as of September 30, 2014 (June 30, 2014: 4,785,003 options and December 31, 2013: 5,816,673 options) that are potentially dilutive ordinary shares. As of September 30, 2013, 5,933,340 share options were outstanding.

## 6. License interests, exploration and evaluation assets

	Licence interest, exploration and evaluation assets USD 000
<b>Net book value</b>	
At January 1, 2014 ( <i>Audited</i> )	94,755
Additions	5,134
Foreign currency translation adjustments	-
At September 30, 2014 ( <i>Unaudited</i> )	99,889

## 7. Cash and bank balances

	September 30, 2014 (Unaudited) USD 000	December 31, 2013 (Audited) USD 000
Cash and cash equivalents	52,526	54,152
Restricted cash	-	2,604
Cash and bank balances at the end of the period	52,526	56,756

## 8. Share capital

The total number of ordinary shares in issue throughout nine months ended September 30, 2014 was 234,545,786 with a nominal value of NOK 342,547,498.77.

## 9. Interest bearing debt

	September 30, 2014 (Unaudited) USD 000		December 31, 2013 (Audited) USD 000	
Corporate	Current	Non-current	Current	Non-current
NOK denominated loan	-	-	26,838	-
USD denominated loan	-	-	83,381	-
Effects of re-measurement of bond liability	-	-	8,694	-
Total	-	-	118,913	-

The Company had entered into a sale agreement with GeoPark Holdings to sell its entire shareholding in its fully owned subsidiary Rio das Contas (RdC) which also holds Manati field. The shares in RdC and Manati were pledged as security under the bond agreement which required mandatory redemption of the loan on completion of sale transaction. Under the terms of the bond agreement, mandatory redemption premium of 6% was applied to the principal balance on redemption date of April 4, 2014. A payment of USD 123.4 million was made on the same date to fully repay the debt obligations.

Since the redemption premium is recognised in the financial statements, the re-measurement effects of USD 8.7 million have been reversed in the statement of comprehensive income for the first quarter.

# Other information

## Financial calendar

November 6, 2014

Third quarter 2014 results

## Glossary and definitions

<b>Bbl</b>	One barrel of oil, equal to 42 US gallons or 159 liters
<b>Bcf</b>	Billion cubic feet
<b>Bm<sup>3</sup></b>	Billion cubic meter
<b>BOE</b>	Barrel of oil equivalent
<b>Btu</b>	British Thermal Units, the energy content needed to heat one pint of water by one degree Fahrenheit
<b>IP</b>	Initial production
<b>Mcf</b>	Thousand cubic feet
<b>MMcf</b>	Million cubic feet
<b>MMBOE</b>	Million barrels of oil equivalents
<b>MMBtu</b>	Million British thermal units
<b>MMm<sup>3</sup></b>	Million cubic meters
<b>Tcf</b>	Trillion cubic feet

## 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, regulatory changes and other risks and uncertainties discussed in the Company's periodic reports. Forward-looking statements are often identified by the words "believe", "budget", "potential", "expect", "anticipate", "intend", "plan" and other similar terms and phrases. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation, and we undertake no obligation to update or revise any of this information*

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