

# Panoro Energy

## Fourth Quarter Report 2015

February 24, 2016



Front Puffin

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# Highlights and events

## Fourth quarter 2015 highlights and subsequent events

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- Cash balance of USD 10.9 million as at December 31, 2015 and no debt
- Successful Equity Private Placement of new shares with gross proceeds of NOK 70 million during February 2016 (subject to shareholders' approval); subsequent offering planned for up to NOK 10 million
- Production drilling on Aje (Nigeria) Cenomanian oil development completed during Q4 and first oil production targeted for end March 2016
- Interpretation of new 3D PSDM seismic on OML 113 in Nigeria has improved understanding of oil resources at Aje and yielded exploration prospects
- Dussafu (Gabon) Prospect B high graded with estimated 237 MMbbl P50 gross unrisks prospective resources
- Net loss from continuing operations for the quarter ended December 31, 2015, of USD 1.6 million compared to USD 1.7 million in Q3 2015

# Operational update

## NIGERIA

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

The Aje field development continued during the quarter. Following the drilling and completion of Aje-5, the Aje-4 well was completed in November 2015 and the rig was subsequently demobilized. Both wells were perforated in the Upper and Lower Cenomanian oil bearing reservoirs and short flow-backs were successfully carried out. The subsea trees have been installed on the two wells, ready for connection to the facilities prior to commencement of oil production. All operations to date have been completed with no safety related incidents.

The works on the FPSO, the Front Puffin, were concluded in January 2016 and the vessel subsequently departed Singapore for Nigeria. All subsea equipment was mobilised to Nigeria for the installation campaign which started in January 2016 with the installation of the mooring systems. Installation is expected to continue during the first half of Q1 2016 in preparation for the arrival of the FPSO. Current activities include the installation of the buoy and risers, manifold, umbilical termination assembly, oil production flow lines and gas lift lines. Oil production is expected to commence by the end of March 2016.

Geological models of the Aje field are being revised, incorporating the new 3D seismic and well data. The improved seismic data and positive Aje-5 well results have increased confidence in our understanding of the distribution of the Cenomanian oil reserves. This new modelling supports the previously reported reserves and contingent resources volumes but with more certainty around the shape of the Cenomanian reservoir. Consequently, although no plans for drilling are anticipated in the near term, more precise planning for phase 2 drilling can now be carried out. New exploration prospects have been identified and the prospect inventory is being updated in the remainder of the OML 113 license.

## GABON

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

Activities during the quarter included finalising the prospect inventory with additional quantitative geological and geophysical work. Plans for possible exploration drilling were updated with potential well designs for Prospect B. Prospect B has P50 gross unrisked prospective resources of 237 MMbbl in the Dentale section and is currently ranked as the most attractive prospect in the Dussafu block.

## CORPORATE

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In February 2016, Panoro successfully completed a fully subscribed Equity Private Placement with the support of new and existing investors, reaching the top end of the range raising NOK 70 million in gross proceeds through the subscription and allocation of 166,666,666 new shares (the "New Shares") at a subscription price of NOK 0.42 per share (the "Subscription Price"). Issuance and delivery of the New Shares is subject to approval by an Extraordinary General Meeting of the Company's shareholders to be held on 2 March 2016 (the "EGM"). Subject to approval by the EGM of the issuance of the New Shares, the due date for payment for allocated New Shares is expected to be on 3 March 2016. The New Shares will be registered with the Norwegian Register of Business Enterprises following receipt of payment for all the New Shares. Following issuance of the New Shares the issued and outstanding share capital of the Company will be 401,212,452 shares each having a par value of NOK 0.005. The net proceeds from the Equity Private Placement will be used for general corporate purposes, most importantly managing working capital fluctuations in the prevailing low oil price environment, and to position the Company for growth.

Subject to EGM approval of the Equity Private Placement, the Board of Directors plan to carry out a subsequent offering for up to NOK 10 million in the Company directed towards shareholders in the Company as of 9 February 2016. The subscription price in such subsequent offering will be NOK 0.42 per share, being the same as the Subscription Price in the Equity Private Placement.

Nishant Dighe, President and Chief Operating Officer, departed from the Company during the quarter.

Continued focus is being made to reduce costs both at the project and corporate level. These efforts have yielded successes and the Company will continue to seek cost reductions and to maintain strong financial discipline.

# Financial information

## Income statement review

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### **Fourth quarter 2015 versus third quarter 2015**

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 1.6 million from continuing operations for the fourth quarter 2015, a decrease of USD 0.1 million, compared to a loss of USD 1.7 million in the third quarter.

Subsequent to the completion of the sale of Rio das Contas in the first quarter of 2014, 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 decreased from USD 0.5 million in Q3 2015 to USD 0.4 million in Q4 2015. This is a result of re-phasing of work programmes on the licences.

Severance and restructuring costs was nil for both quarters. General and Administration costs from continuing activities decreased to USD 1.0 million in Q4 2015 from USD 1.2 million in Q3 2015.

Depreciation for the current quarter was USD 33 thousand increasing from USD 29 thousand in Q3 2015.

Impairment charges were nil in both quarters. Other impairment charges for both quarters have been reallocated to the Discontinued Operations and are related solely to Brazilian assets.

EBIT from continuing operations was thus a negative USD 1.5 million in the fourth quarter 2015, compared to a negative USD 1.7 million in the third quarter.

Net financial items amounted to a net expense of USD 8 thousand in the fourth quarter 2015 compared to an income of USD 10 thousand in the third quarter.

Loss before tax from continuing activities was USD 1.5 million in the fourth quarter 2015 which was lower by USD 0.2 million compared to previous quarter loss of USD 1.7 million.

Net loss for the period from discontinued operations was USD 162 thousand for the current quarter was a slight increase from the loss of USD 74 thousand for the third quarter.

The total net loss was USD 1.7 million, compared to a net loss of USD 1.8 million in the third quarter.

Other comprehensive income of a negative USD 34 thousand was a result of translating Brazilian subsidiary for reporting purposes. For Q3 2015, the other comprehensive income was negative USD 33 thousand.

### **Year to date 2015 versus Year to date 2014**

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 39.3 million from continuing operations for the year ended December 31, 2015, compared to a loss of USD 12.0 million in the same period in 2014.

Following the completion of the sale of Rio das Contas in the first quarter of 2014, no revenue and production costs are presented in the Group statement of comprehensive income, as all its results have been included as part of the discontinued operations as detailed in note 4 to the interim financial statements.

Exploration related costs and operator G&A increased to USD 1.9 million, up from USD 1.5 million in 2014. This is consistent with the operator general and administrative costs on the JVs and in line with the budgeted expenditure in the respective periods, which do not meet internal capitalisation criteria and the advancement in the programs of both JV assets.

Strategic review costs were nil for the current period in comparison to USD 0.3 million in the same period in 2014. These costs have discontinued following the decision to terminate the strategic review process in November 2014. The costs in the comparative period mostly related to legal charges.

Severance and restructuring costs incurred in the year ended December 31, 2015 was 38 thousand compared to USD 686 thousand in the same period in 2014. The higher cost in 2014 is due to severance costs incurred in Brazil in terms of a phased closure of operations. The overall costs of severance in the comparative period has been allocated between both continuing and discontinued activities in order to align some of core head office functions which were historically undertaken from the Brazil office.

General and Administration costs from continuing operations decreased to USD 4.8 million in the current period compared to

USD 5.4 million in the comparative period in 2014. The reduction is a result of continued cost saving initiatives.

Depreciation remained largely consistent for both periods at USD 76 thousand in 2014 and USD 90 thousand in 2015.

During the year ending December 31, 2015, the Company recorded a non-cash provision for impairment of USD 32.4 million to its investment in the Dussafu asset in Gabon. The impairment was the result of the effect of the continuing decline in forward oil prices and was considered a prudent and conservative accounting adjustment to our book costs. There is no underlying change in the technical view of the asset and any impairment charge may be reversed on improvement of macro-economic conditions.

Other impairment charges for both periods have been reallocated to the Discontinued Operations and related solely to Brazilian assets.

Share based payments charge for 2015 was nil compared to USD 34 thousand charge for the same period in 2014. The options were fully vested during the year ended December 31, 2014 and hence no charge in the current period. No share options have been awarded to the employees since year 2012.

EBIT from continuing operations was thus a negative USD 39.3 million in the year ended December 31, 2015, compared to a negative USD 8.0 million in the same period of 2014.

Net financial items amounted to an income of USD 34 thousand in the current period compared to negative USD 4 million in the same period in 2014. The charge in 2014 relates to interest and early redemption charges on repayment of senior secured callable bond.

Loss before tax from continuing activities was USD 39.2 million for the current year which was higher by USD 31.2 million compared to the 2014 loss of USD 12 million. The increase in loss is predominantly due to the Dussafu impairment charge.

Net loss for the period from discontinued operations was USD 0.6 million for the year ended December 31, 2015 compared to net gain of USD 38.3 million for the same period in 2014. The 2014 results from discontinued operations include income from the sale of a subsidiary (Rio das Contas) offset by realisation of loss on re-translation of currency differences and consolidated results from Manati field.

The total net loss for the year was USD 39.9 million, compared to a net loss of USD 8.9 million for 2014 including recycling of currency translation effects of USD 35.2 million.

Other comprehensive income of a negative USD 19 thousand was a result of translating Brazilian subsidiaries for reporting purposes. For the same period in 2014, the other comprehensive income was positive USD 3.4 million and included recycling of accumulated currency translation on sale of subsidiary. The presentation of recycling of currency translation has been reclassified to align with the presentation in 2014 annual audited financial statements.

## Statement of financial position review

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### Movements to December 31, 2015 from September 30, 2015

Movements in the Group statement of financial position during the fourth quarter of 2015 were a combination of the following:

#### Non-current assets

Non-current assets amounted to USD 102.5 million at December 31, 2015, an increase of USD 8.3 million from September 30, 2015.

Licences and exploration assets amounted to USD 31.0 million compared to USD 30.8 million as at September 30, 2015. The development assets balance amounted to USD 70.2 million as of December 31, 2015 with investments of USD 6.2 million in the current quarter as we push towards the full development of Aje and commencement of first oil production in 2016 and USD 1.9 million as a decommissioning provision for the Aje Field.

Property, furniture, fixtures and equipment was USD 266 thousand decreasing from USD 294 thousand at September 30, 2015.

Other non-current assets remain unchanged for both periods at USD 1 million. The amount relates to USD 0.8 million of guarantee deposit in support of a guarantee to FPSO provider Rubicon which is providing the vessel for Aje Cenomanian oil development and USD 0.2 million in relation to tenancy deposit for office premises.

#### Current assets

Current assets amounted to USD 12.6 million per December 31, 2015, compared to USD 21 million per September 30, 2015.

Trade and other receivables stood at USD 1.7 million, a decrease from USD 3.9 million at the end of September 2015. The main factor is the decrease in the receivable balance of prepaid Aje development cash calls during the period.

Cash and bank balances stood at USD 10.9 million per December 31, 2015, a decrease from USD 17.1 million per September 30, 2015. The decrease is mainly attributed to Aje and Dussafu cash calls paid during the quarter which amounted to USD 4.5 million and USD 0.5 million, respectively.

#### Equity

Equity amounted to USD 108.2 million per December 31, 2015, compared to USD 109.9 million at the end of September 2015. The change reflects the loss for the period.

#### Non-current liabilities

Total non-current liabilities amounted to USD 6.2 million per December 31, 2015, an increase of USD 1.9 million from September 30, 2015 which represents the inclusion of the Aje Field decommissioning provision and a deferred tax liability arising on a business combination in 2010. The liability is expected to unwind proportionally after commencement of oil production from the Aje field.

#### Current liabilities

Current liabilities amounted to USD 0.7 million at December 31, 2015, compared to USD 0.9 million at the end of September 2015.

Accounts payable, accruals and other liabilities amounted to USD 0.7 million, a decrease from USD 0.9 million at the end of September 2015. The decrease is mainly a result of a partial reversal of excess accruals in both Aje and Dussafu JVs.

### Movements to December 31, 2015 from December 31, 2014

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

#### Non-current assets

Non-current assets amounted to USD 102.5 million at December 31, 2015, a decrease of USD 4.3 million from December 31, 2014.

Licences and exploration assets amounted to USD 31 million, a decrease of USD 30.4 million since December 2014. The effect of the Dussafu impairment charge during the period of USD 32.4 million has been marginally offset by capital additions on Dussafu permit progressing 2015 work programme with expenditure covering FEED, G&G and Engineering Management and the annual Surface Rental for the EEA area. The development assets balance amounted to USD 70.2 million as of December 31, 2015 with investments of USD 23.2 million during the year to December 31, 2015 and USD 1.9 million for the inclusion of a decommissioning provision for the Aje Field.

Property, furniture, fixtures and equipment was USD 266 thousand increasing from USD 94 thousand at December 31, 2014. The increase represents essential office premises and information technology upgrades in the UK.

Other non-current assets as of December 31, 2015 were USD 1.0 million (nil as of December, 2014) of which USD 0.8 million related to the payment of a guarantee deposit in support of a security to FPSO provider Rubicon which is providing the vessel for Aje Cenomanian oil development and USD 0.2 million in relation to tenancy security deposit for office premises.

### Current assets

Current assets amounted to USD 12.6 million per December 31, 2015, compared to USD 47.2 million per December 31, 2014.

Trade and other receivables stood at USD 1.7 million, a decrease from USD 6.3 million at the end of 2014. The main decline in receivable is the utilisation of the balance of Aje and Dussafu cash calls prepaid during the period to progress development activities. Cash and bank balances stood at USD 10.9 million per December 31, 2015, a decrease from USD 40.9 million per December 31, 2014.

### Equity

Equity amounted to USD 108.2 million per December 31, 2015, compared to USD 148.1 million at the end of December 2014. The change reflects the loss for the period including the effect of the Dussafu impairment charge.

### Non-current liabilities

Total non-current liabilities amounted to USD 6.2 million per December 31, 2015, an increase of USD 1.9 million from December 31, 2014 which represents the inclusion of the Aje Field decommissioning provision and a deferred tax liability arising on a business combination in 2010. The liability is expected to unwind proportionally after commencement of production from Aje field.

### Current liabilities

Current liabilities amounted to USD 0.7 million at December 30, 2015, compared to USD 1.5 million at the end of December 2014.

Accounts payable, accruals and other liabilities amounted to USD 0.7 million, a decrease from USD 1.5 million at the end of December 2014. The decrease compared to December 2014 is mainly due to lower JV related payables accrued at December 31 2015.

## **Funding**

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The Company had USD 10.9 million in cash and bank balances as of December 31, 2015. As of the same date, approximately USD 8.6 million of development capital expenditure was estimated to be required to achieve First Oil at the Aje Cenomanian Oil field, expected to start production around the end of March 2016. It is possible that the cost of this investment for Panoro may increase should any Joint Venture partner be unable to fulfil its financial obligations under the Joint Operating Agreements. In February 2016, the Company has announced an Equity Private Placement with gross proceeds of NOK 70 million from existing and new shareholders, subject to the approval of shareholders at the EGM. The Equity Private Placement ensures strengthening of Panoro's balance sheet as the Company becomes a producer of oil during a period of challenging oil prices. Any further funding improvements might come from portfolio optimization, including dilution of interest in its exploration and development projects in exchange for project funding, assets sales, farm downs and/or a potential access to new sources of financing including but not limited to bank credit facilities.

Subject to EGM approval of the Equity Private Placement, the Board of Directors plan to carry out a subsequent offering for up to NOK 10 million in the Company directed towards shareholders in the Company as of 9 February 2016. The subscription price in such subsequent offering will be NOK 0.42 per share, being the same as the Subscription Price in the Equity Private Placement.

# Outlook

- First oil at Aje expected end March 2016
- Further interpretation work at OML 113 to examine exploration potential
- Continuing preparations for possible exploration well in Dussafu and seeking industry participation in the license
- Actively reviewing opportunities for growth and taking advantage of the low oil price environment

The Board of Directors  
Panoro Energy ASA  
February 24, 2016

Julien Balkany  
*Chairman*

Garrett Soden  
*Board member*

Torstein Sanness  
*Board member*

Alexandra Herger  
*Board member*

# Condensed consolidated financial statements

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 31, 2015

Q4 2014	Q3 2015	Q4 2015	<i>Amounts in USD 000</i>	Note	YTD 2015	YTD 2014
<i>(Unaudited)</i>					<i>(Unaudited)</i>	
<b>Continuing Operations</b>						
-	-	-	Oil and Gas revenue		-	-
-	-	-	<b>Total revenues</b>		-	-
(667)	(490)	(426)	Exploration related costs and Operator G&A		(1,877)	(1,523)
(117)	-	-	- Strategic review costs		0	(327)
(285)	-	-	- Severance and restructuring costs		(38)	(686)
(1,327)	(1,178)	(1,042)	General and administrative costs		(4,823)	(5,388)
(17)	(29)	(33)	Depreciation		(90)	(76)
-	-	-	- Impairment of Assets	6.1	(32,445)	-
80	-	-	- Share based payments		-	(34)
<b>(2,333)</b>	<b>(1,697)</b>	<b>(1,501)</b>	<b>EBIT - Operating income/(loss)</b>		<b>(39,273)</b>	<b>(8,034)</b>
71	23	(12)	Interest costs net of income		73	(12,524)
(1)	(4)	(4)	Other financial costs net of income		(14)	(129)
-	-	-	- Effects of re-measurement of bond liability		0	8,694
(77)	(9)	8	Net foreign exchange gain/(loss)		(25)	(61)
<b>(2,340)</b>	<b>(1,687)</b>	<b>(1,509)</b>	<b>Income/(loss) before tax</b>		<b>(39,239)</b>	<b>(12,054)</b>
25	-	(46)	Income tax benefit/(expense)		(46)	25
<b>(2,315)</b>	<b>(1,687)</b>	<b>(1,555)</b>	<b>Net income/(loss) for the period from continuing operations</b>		<b>(39,285)</b>	<b>(12,029)</b>
<b>Discontinued operations</b>						
(1,020)	(74)	(162)	Net income / (loss) for the period from discontinued operations	4	(582)	3,145
<b>(3,335)</b>	<b>(1,761)</b>	<b>(1,717)</b>	<b>Net income / (loss) for the period</b>		<b>(39,867)</b>	<b>(8,884)</b>
(101)	(33)	(34)	Exchange differences arising from translation of foreign operations		(19)	3,406
<b>(101)</b>	<b>(33)</b>	<b>(34)</b>	<b>Other comprehensive income/(loss) for the period (net of tax)</b>		<b>(19)</b>	<b>38,601</b>
<b>(3,436)</b>	<b>(1,794)</b>	<b>(1,751)</b>	<b>Total comprehensive income/(loss) for the period (net of tax)</b>		<b>(39,886)</b>	<b>29,717</b>
<b>Net income / (loss) for the period attributable to:</b>						
(3,335)	(1,761)	(1,717)	Equity holders of the parent		(39,867)	(8,884)
<b>Total comprehensive income / (loss) for the period attributable to:</b>						
(3,436)	(1,794)	(1,751)	Equity holders of the parent		(39,886)	29,717
<b>Earnings per share</b>						
(0.01)	(0.01)	(0.01)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total	5	(0.17)	(0.04)
(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		(0.17)	(0.05)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2015**

<i>Amounts in USD 000</i>		December 31, 2015	September 30, 2015	December 31, 2014
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
<b>Non-current assets</b>				
Licenses and exploration assets	6/6.1	31,033	30,784	61,480
Development assets	6	70,195	62,116	45,169
Property, furniture, fixtures and office equipment		266	294	94
Other non-current assets		962	962	-
<b>Total Non-current assets</b>		<b>102,455</b>	<b>94,156</b>	<b>106,743</b>
<b>Current assets</b>				
Trade and other receivables		1,693	3,940	6,279
Cash and cash equivalents		10,948	17,086	40,941
<b>Total current assets</b>		<b>12,641</b>	<b>21,026</b>	<b>47,220</b>
<b>Total Assets</b>		<b>115,096</b>	<b>115,182</b>	<b>153,963</b>
<b>Equity</b>				
Share capital	7	193	193	56,333
Other equity		107,978	109,730	91,724
<b>Total Equity attributable to equity holders of the parent</b>		<b>108,171</b>	<b>109,923</b>	<b>148,057</b>
<b>Non-current liabilities</b>				
Decommissioning liability		1,856	-	-
Deferred tax liabilities		4,376	4,376	4,376
<b>Total Non-current liabilities</b>		<b>6,232</b>	<b>4,376</b>	<b>4,376</b>
<b>Current liabilities</b>				
Accounts payable, accruals and other liabilities		693	883	1,530
<b>Total current liabilities</b>		<b>693</b>	<b>883</b>	<b>1,530</b>
<b>Total Liabilities</b>		<b>6,925</b>	<b>5,259</b>	<b>5,906</b>
<b>Total Equity and Liabilities</b>		<b>115,096</b>	<b>115,182</b>	<b>153,963</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

Q4 2014	Q3 2015	Q4 2015	<i>Amounts in USD 000 - (Unaudited)</i>	YTD 2015	YTD 2014
<b>Cash flows from operating activities</b>					
(2,340)	(1,687)	(1,509)	Net (loss)/ income from continuing operations	(39,239)	(12,054)
(106)	(74)	(162)	Net (loss)/ income from discontinued operations	(582)	15,845
(2,446)	(1,761)	(1,671)	<b>Net (loss)/ income for the period before tax</b>	(39,821)	3,791
Adjusted for:					
17	29	33	Depreciation	90	79
-	-	-	Recycling of accumulated currency translation on sale of subsidiary	-	35,195
-	-	-	Effect of remeasurement of bond liability	-	(8,694)
159	40	184	Impairment and asset write-off	32,823	755
-	490	426	Exploration related costs and operator G&A	1,877	-
-	-	-	(Gain)/loss on disposal of assets	-	(53,495)
(448)	6	16	Net finance costs	(59)	12,064
(112)	-	-	Share-based payments	-	(108)
584	11	(7)	Foreign exchange gains/losses	25	212
541	15	(288)	Increase/(decrease) in trade and other payables	(838)	1,443
3,343	(119)	(364)	(Increase)/decrease in trade and other receivables	(583)	(459)
-	-	(46)	Taxes paid	(46)	-
<b>1,638</b>	<b>(1,289)</b>	<b>(1,717)</b>	<b>Net cash flows from operating activities</b>	<b>(6,532)</b>	<b>(9,217)</b>
<b>Cash flows from investing activities</b>					
(12,701)	(14,954)	(4,407)	Investment in exploration, production and other assets	(22,549)	(19,911)
-	-	-	Movement in related non-current assets	(962)	-
-	-	-	Proceeds from the disposal of subsidiary (net of costs)	-	139,100
<b>(12,701)</b>	<b>(14,954)</b>	<b>(4,407)</b>	<b>Net cash flows from investing activities</b>	<b>(23,511)</b>	<b>119,189</b>
<b>Cash flows from financing activities</b>					
24	(6)	(16)	Net financial charges paid	59	386
-	-	-	Repayment of Bond	-	(123,394)
-	-	-	Movement in restricted cash balance	-	-
<b>24</b>	<b>(6)</b>	<b>(16)</b>	<b>Net cash flows from financing activities</b>	<b>59</b>	<b>(123,008)</b>
(546)	10	2	Effect of foreign currency translation adjustment on cash balances	(9)	(175)
(11,585)	(16,239)	(6,138)	Change in cash and cash equivalents during the period	(29,993)	(13,211)
52,526	33,325	17,086	Cash and cash equivalents at the beginning of the period	40,941	54,152
<b>40,941</b>	<b>17,086</b>	<b>10,948</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>10,948</b>	<b>40,941</b>

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
<b>At January 1, 2015 - (Audited)</b>	56,333	288,858	65,914	(219,671)	(37,647)	(5,729)	148,057
Net income/(loss) for the period - Continuing Ops	-	-	-	(1,895)	-	-	(1,895)
Net income/(loss) for the period - Discontinued Ops	-	-	-	(258)	-	-	(258)
Other comprehensive income/(loss)	-	-	-	-	-	30	30
Total comprehensive income/(loss)	-	-	-	(2,153)	-	30	(2,123)
<b>At March 31, 2015 - (Unaudited)</b>	56,333	288,858	65,914	(221,825)	(37,647)	(5,699)	145,933
Net income/(loss) for the period - Continuing Ops	-	-	-	(34,148)	-	-	(34,148)
Net income/(loss) for the period - Discontinued Ops	-	-	-	(88)	-	-	(88)
Other comprehensive income/(loss)	-	-	-	-	-	19	19
Total comprehensive income/(loss)	-	-	-	(34,236)	-	19	(34,217)
<b>At June 30, 2015 - (Unaudited)</b>	56,333	288,858	65,914	(256,061)	(37,647)	(5,680)	111,716
Net income/(loss) for the period - Continuing Ops	-	-	-	(1,687)	-	-	(1,687)
Net income/(loss) for the period - Discontinued Ops	-	-	-	(74)	-	-	(74)
Other comprehensive income/(loss)	-	-	-	-	-	(33)	(33)
Total comprehensive income/(loss)	-	-	-	(1,761)	-	(33)	(1,794)
Reduction in registered share capital	(56,140)	56,140	-	-	-	-	-
<b>At September 30, 2015 - (Unaudited)</b>	193	344,998	65,914	(257,822)	(37,647)	(5,713)	109,923
Net income/(loss) for the period - Continuing Ops	-	-	-	(1,555)	-	-	(1,555)
Net income/(loss) for the period - Discontinued Ops	-	-	-	(162)	-	-	(162)
Other comprehensive income/(loss)	-	-	-	-	-	(34)	(34)
Total comprehensive income/(loss)	-	-	-	(1,717)	-	(34)	(1,751)
<b>At December 31, 2015 - (Unaudited)</b>	193	344,998	65,914	(259,539)	(37,647)	(5,747)	108,171

For the year ended December 31, 2014 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
<b>At January 1, 2014 - (Audited)</b>	56,333	288,858	66,021	(210,787)	(37,647)	(44,331)	118,447
Net income/(loss) for the period - Continuing Ops	-	-	-	(5,773)	-	-	(5,773)
Net income/(loss) for the period - Discontinued Ops	-	-	-	41,039	-	-	41,039
Other comprehensive income/(loss)	-	-	-	-	-	3,369	3,369
Total comprehensive income/(loss)	-	-	-	35,266	-	3,369	38,635
Translation adjustment realised on sale of Rio das Contas	-	-	-	(35,195)	-	35,195	-
Employee share options	-	-	9	-	-	-	9
<b>At March 31, 2014 - (Unaudited)</b>	56,333	288,858	66,030	(210,716)	(37,647)	(5,767)	157,091
Net income/(loss) for the period - Continuing Ops	-	-	-	(2,017)	-	-	(2,017)
Net income/(loss) for the period - Discontinued Ops	-	-	-	(1,381)	-	-	(1,381)
Other comprehensive income/(loss)	-	-	-	-	-	134	134
Total comprehensive income/(loss)	-	-	-	(3,398)	-	134	(3,264)
Employee share options	-	-	(55)	-	-	-	(55)
<b>At June 30, 2014 - (Unaudited)</b>	56,333	288,858	65,975	(214,114)	(37,647)	(5,633)	153,772
Net income/(loss) for the period - Continuing Ops	-	-	-	(1,924)	-	-	(1,924)
Net income/(loss) for the period - Discontinued Ops	-	-	-	(298)	-	-	(298)
Other comprehensive income/(loss)	-	-	-	-	-	4	4
Total comprehensive income/(loss)	-	-	-	(2,222)	-	4	(2,218)
Employee share options	-	-	42	-	-	-	42
<b>At September 30, 2014 - (Unaudited)</b>	56,333	288,858	66,017	(216,336)	(37,647)	(5,629)	151,596
Net income/(loss) for the period - Continuing Ops	-	-	-	(2,315)	-	-	(2,315)
Net income/(loss) for the period - Discontinued Ops	-	-	-	(1,020)	-	-	(1,020)
Other comprehensive income/(loss)	-	-	-	-	-	(101)	(101)
Total comprehensive income/(loss)	-	-	-	(3,335)	-	(101)	(3,436)
Employee share options	-	-	(103)	-	-	-	(103)
<b>At December 31, 2014 - (Unaudited)</b>	56,333	288,858	65,914	(219,671)	(37,647)	(5,730)	148,057

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

# Notes to the condensed consolidated financial statements

## 1. Corporate information

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

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in West Africa. The condensed consolidated financial statements of the Group for the period ended December 31, 2015 were authorised for issue by the Board of Directors on February 24, 2016.

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 2014 Annual Report. The 2014 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 2014 Annual Report.

These interim financial statements are based on the going concern assumption. The Company had USD 10.9 million in cash and bank balances as of December 31, 2015. As of the same date, approximately USD 8.6 million of development capital expenditure was estimated to be required to achieve First Oil at the Aje Cenomanian Oil field, expected to start production around the end of March 2016. It is possible that the cost of this investment for Panoro may increase should any Joint Venture partner be unable to fulfil its financial obligations under the Joint Operating Agreements. In February 2016, the Company has announced an Equity Private Placement with gross proceeds of NOK 70 million from existing and new shareholders, subject to the approval of shareholders at the EGM. The Equity Private Placement ensures strengthening of Panoro's balance sheet as the Company becomes a producer of oil during a challenging oil price environment. Any further funding improvements might come from portfolio optimization, including dilution of interest in its exploration and development projects in exchange for project funding, assets sales, farm downs and/or a potential access to new sources of financing including but not limited to bank credit facilities.

## 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. As such, the information for December 31, 2015 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 (16.255% paying interest and 12.1913% revenue interest) in the OML113-Aje exploration licence in Nigeria.
- The 'Corporate and others' category consists of head office and service company operations that are not directly attributable to the other segment. Further, it also includes the residual corporate business in Brazil which is expected to be dormant in the foreseeable future.

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

Q4 2014	Q3 2015	Q4 2015		YTD 2015	YTD 2014
<i>(Unaudited)</i>			<b>OPERATING SEGMENT - WEST AFRICA</b>	<i>(Unaudited)</i>	
<i>in USD 000</i>					
(1,208)	(519)	(2,798)	Income / (Loss) for the period from continuing operations	(36,714)	(1,449)
-	-	-	Impairment of E&E Assets	32,445	-
-	97,284	-	Segment assets	103,698	112,335
<b>CORPORATE</b>					
<i>in USD 000</i>					
(1,107)	(1,168)	1,243	Income / (Loss) for the period from continuing operations	(2,571)	(10,580)
17	29	33	Depreciation and amortisation	90	76
-	17,268	-	Segment assets	11,120	40,434
<b>DISCONTINUED OPERATIONS</b>					
<i>in USD 000</i>					
(1,020)	(74)	(162)	Income / (Loss) for the period from discontinued operations	(582)	3,145
-	630	-	Segment assets	278	1,194
<b>CONSOLIDATED</b>					
<i>in USD 000</i>					
(2,315)	(1,687)	(1,555)	Income / (Loss) for the period from continuing operations	(39,285)	(12,029)
(1,020)	(74)	(162)	Income / (loss) for the period from discontinued operations	(582)	3,145
17	29	33	Depreciation and amortisation	90	76
-	-	-	Impairment of E&E Assets	32,445	-
-	115,182	-	Segment assets	115,096	153,963

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

## 4. Discontinued operations

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

Q4 2014	Q3 2015	Q4 2015		YTD 2015	YTD 2014
<i>USD 000 - (Unaudited)</i>				<i>USD 000 - (Unaudited)</i>	
-	-	-	Oil and gas revenue	-	10,393
-	-	-	<b>Total revenues and other income</b>	-	<b>10,393</b>
-	-	-	Production costs	-	(1,398)
(504)	-	-	Redundancies and restructuring costs	-	(746)
(405)	(29)	27	General and administration costs	(226)	(2,200)
<b>(909)</b>	<b>(29)</b>	<b>27</b>	<b>EBITDA</b>	<b>(226)</b>	<b>6,049</b>
-	-	-	Depreciation	-	(3)
(159)	(40)	(184)	Impairment	(378)	(755)
24	-	-	Share based payments	-	142
-	-	-	Gain/(loss) on sale of subsidiary	-	45,169
<b>(1,044)</b>	<b>(69)</b>	<b>(157)</b>	<b>EBIT - Operating income / (loss)</b>	<b>(604)</b>	<b>50,602</b>
18	5	(4)	Interest costs net of income	24	666
(1)	-	-	Other financial costs net of income	-	(77)
7	(10)	(1)	Net foreign exchange gain / (loss)	(2)	(151)
<b>(1,020)</b>	<b>(74)</b>	<b>(162)</b>	<b>Income / (loss) before tax</b>	<b>(582)</b>	<b>51,040</b>
-	-	-	Income tax benefit / (expense)	-	(12,700)
<b>(1,020)</b>	<b>(74)</b>	<b>(162)</b>	<b>Net income/(loss) for the period from discontinued operations - excluding recycling of currency adjustments</b>	<b>(582)</b>	<b>38,340</b>
-	-	-	Recycling of accumulated currency translation on sale of subsidiary	-	(35,195)
-	-	-	<b>Net income/(loss) for the period from discontinued operations</b>	-	<b>3,145</b>
(0.00)	(0.00)	(0.00)	Earning per share – basic and diluted (USD) for the period from discontinued operations	(0.00)	0.01

## 5. Earnings per share

Q4 2014	Q3 2015	Q4 2015		YTD 2015	YTD 2014
<i>(Unaudited)</i>		<i>Amounts in USD 000, unless otherwise stated</i>		<i>(Unaudited)</i>	
(3,335)	(1,761)	(1,717)	Net profit / (loss) attributable to equity holders of the parent - <b>Total</b>	(39,687)	(8,884)
(2,315)	(1,687)	(1,555)	Net profit / (loss) attributable to equity holders of the parent - <b>Continuing operations</b>	(39,285)	(12,029)
234,546	234,546	234,546	Weighted average number of shares outstanding - in thousands	234,546	234,546
(0.01)	(0.01)	(0.01)	Basic and diluted earnings per share (USD) - Total	(0.17)	(0.04)
(0.01)	(0.01)	(0.01)	Basic and diluted earnings per share (USD) - Continuing operations	(0.17)	(0.05)

### Diluted earnings per share

The Group had 108,335 outstanding share options as of December 31, 2015 (September 30, 2015: 550,002 options and December 31, 2014: 2,161,673 options) that are potentially dilutive ordinary shares. All outstanding options are exercisable at higher prices compared to the Company's share price as of December 31, 2015.

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

	Licence Interest, Exploration and Evaluation Assets	Development Assets
	<i>USD 000</i>	<i>USD 000</i>
<b>Net book value</b>		
At January 31, 2015 ( <i>Audited</i> )	61,480	45,169
Impairment of E&E Assets	(32,445)	-
Additions	1,998	23,170
Decommissioning Provision	-	1,856
<b>At December 31, 2015 (<i>Unaudited</i>)</b>	<b>31,033</b>	<b>70,195</b>

### 6.1. Provision for impairment

Provision for Impairment in the second quarter represents a USD 32.4 million impairment charge of the Dussafu asset. The impairment is the result of the effect of the recent decline in current and forward oil prices and is considered to be a fair and current reflection on the Company's valuation of the carrying value of the asset. The recognition of such provision is prudent and conservative treatment without an underlying change in technical view of the asset and the associated volumes. Impairment reversals will be considered on improvement of oil prices and macro-economic environment.

## 7. Subsequent events

In February 2016, Panoro successfully completed an Equity Private Placement with the support of new and existing investors, reaching the top end of the range raising NOK 70 million in gross proceeds through the subscription and allocation of 166,666,666 new shares (the "New Shares") at a subscription price of NOK 0.42 per share (the "Subscription Price"). Issuance and delivery of the New Shares is subject to approval by an Extraordinary General Meeting of the Company to be held on 2 March 2016 (the "EGM"). Subject to approval by the EGM of the issuance of the New Shares, the due date for payment for allocated New Shares is expected to be 3 March 2016. The New Shares will be registered with the Norwegian Register of Business Enterprises following receipt of payment for all the New Shares. Following issuance of the New Shares the issued and outstanding share capital of the Company will be 401,212,452 shares each having a par value of NOK 0.005.

Subject to EGM approval of the Equity Private Placement, the Board of Directors plan to carry out a subsequent offering for up to NOK 10 million in the Company directed towards shareholders in the Company as of 9 February 2016. The subscription price in such subsequent offering will be NOK 0.42 per share, being the same as the Subscription Price in the Equity Private Placement.

# Other information

## Glossary and definitions

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<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>MMbbl</b>	Million barrels of oil
<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

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*This presentation does not constitute an offer to buy or sell shares or other financial instruments of Panoro Energy ASA (“Company”). This presentation contains certain statements that are, or may be deemed to be, “forward-looking statements”, which include all statements other than statements of historical fact. Forward-looking statements involve making certain assumptions based on the Company’s experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. Although we believe that the expectations reflected in these forward-looking statements are reasonable, actual events or results may differ materially from those projected or implied in such forward-looking statements due to known or unknown risks, uncertainties and other factors. These risks and uncertainties include, among others, uncertainties in the exploration for and development and production of oil and gas, uncertainties inherent in estimating oil and gas reserves and projecting future rates of production, uncertainties as to the amount and timing of future capital expenditures, unpredictable changes in general economic conditions, volatility of oil and gas prices, competitive risks, counter-party risks including partner funding, regulatory changes including country risks where the Group’s assets are located and other risks and uncertainties discussed in the Company’s periodic reports. Forward-looking statements are often identified by the words “believe”, “budget”, “potential”, “expect”, “anticipate”, “intend”, “plan” and other similar terms and phrases. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation, and we undertake no obligation to update or revise any of this information.*

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