



Panoro Energy

FOURTH QUARTER REPORT 2019

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HIGHLIGHTS AND EVENTS

2019 HIGHLIGHTS AND SUBSEQUENT EVENTS

2019 Financial Highlights

- 2019 average net production approximately 2,371 bopd (2018: 1,315 bopd)
- 2019 Oil Sales and Other Revenue from continuing operations¹ USD 48.2 million in line with guidance (2018: USD 3.5 million). (Note Nigeria now excluded from continuing operations)
- 2019 EBITDA from continuing operations of USD 25.9 million (2018: negative USD 3.8 million) in line with guidance. (Note Nigeria now excluded from continuing operations)
- 2019 Underlying Operating Profit before tax from continuing operations² of USD 14.8 million (2018: loss of USD 3.7 million)
- 2019 reporting basis net profit before tax from continuing operations of USD 19.2 million (2018: loss of USD 4.3 million)
- Year-end cash balances of USD 30.4 million including cash held for bank guarantee and external debt of USD 25.4 million
- Successful completion of private placement in 4Q 2019 raising USD 16 million

Operational Highlights

- Transformational exploration discovery at Hibiscus in Gabon
- DTM-4H and DTM-5H wells successfully drilled and completed at Tortue field
- Dussafu Ruche Phase 1 FID approved by JV partners
- Workover operations underway in Tunisia to achieve 5,000 bopd gross production
- Rig secured to drill well on Guebiba field, to be followed by Salloum West exploration well

Business Development Highlights

- Agreement to divest OML 113 signed in 4Q 2019 for USD 10 million plus up to USD 25 million of contingent consideration
- Farm-in agreement signed on 25 February 2020 for 12.5% Working Interest in Block 2B, offshore South Africa

Outlook and Guidance

- Tortue Phase 2 production wells on track to commence in early March (two) and June (two)
- Up to five exploration wells to be drilled during the year
- Production operations activity in Tunisia at unprecedented levels
- Annual net production guidance between 2,600 bopd to 3,100 bopd (excluding Aje)
- 11 international crude liftings guided, with smaller domestic sales in addition
- 2020 net capital expenditure guidance of USD 31 million, to be funded from existing resources
- Dividend of PetroNor shares upon completion, and new strategy to return up to 50% of net profits following Ruche Phase 1 entering into production at end 2021

¹ Discontinued Operations

Aje operations in Nigeria classified as discontinued operations following divestment agreement, pending completion, and excluded from continuing activities.

² Non-GAAP Financial Measures

From start of 2019 the Group has enhanced its disclosures and introduced the reporting of Underlying Operating Profit/(Loss) before tax from continuing operations, a Non-GAAP Financial Measure. Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful additional measure to help understand underlying operational performance. The definition and details of this Non-GAAP measure can be found on page 7 of the fourth quarter 2019 report.

OPERATIONAL UPDATE

GABON

Dussafu Marin: BW Energy (Operator), Panoro Energy (7.5% interest)

Production from the Tortue field continued from the DTM-2H and DTM-3H wells during the quarter at an average gross rate of 11,779 bopd for the year and 10,802 bopd for the quarter. 2020 gross production guidance is in the range of 17.3 kbopd to 21.6 kbopd.

Liftings of 626,000 and 600,000 barrels gross were completed in November and December. BP Oil International Limited have been selected to offtake Panoro production entitlement for 2020.

The Phase 2 of development at the Tortue field progressed during the quarter with the drilling and completion of the DTM-4H and DTM-5H horizontal oil development wells. Both wells were drilled in the Gamba reservoir and encountered long horizontal sections of good quality oil saturated Gamba sands. The remaining two Phase 2 development wells will be drilled and completed during Q1 and Q2 2020. It is expected the DTM-4H and 5H wells will start production in Q1 with the DTM-6H and DTM-7H wells coming online in Q2 2020.

Following the development drilling at Tortue, a further exploration well is planned in 2020. The JV partners have completed re-processing the 3D seismic data covering the Dussafu block and will use this new data to help select the prospect location. Additional exploration drilling may be carried out in 2020 depending on the results of the re-processing and the current drilling campaign.

Detailed planning for Ruche Phase 1 continued in the quarter and a Final Investment Decision was taken at the beginning of 2020. Ruche Phase 1 consists of four production wells at the Hibiscus field and two wells at the Ruche field, all to be drilled in the Gamba formation. A platform is to be located between the two fields with a 19 km pipeline tied back to the Adolo FPSO at Tortue. First oil from Ruche Phase 1 is expected at the end of 2021 and once all six wells are online the total Dussafu production is forecast to exceed 40,000 bopd. Ruche Phase 2 development will target additional discovered resources through up to seven production wells, with the objective to maintain the production plateau. The capex for the revised Ruche Phase 1 incorporating the Hibiscus development is now expected to be approximately USD 445 million (gross). Total field operating costs once Ruche Phase 1 is in production are expected to be USD ~10 per barrel excluding royalties and taxes at current FPSO capacity.

Tullow Oil Gabon SA exercised their 10% back-in right in the licence on 17 December 2019, Panoro's interest therefore reduced from 8.3333% to 7.5%.

TUNISIA

In December 2018, the Company entered into a shareholder agreement with Beender Petroleum Tunisia Limited ("Beender"), whereby Panoro and Beender jointly own and control 60% and 40% respectively of Sfax Petroleum Corporation AS ("Sfax Corp"). Sfax Corp, through its subsidiaries holds 100% shares of Panoro Tunisia Production AS ("PTP") and Panoro Tunisia Exploration AS ("PTE"). As such, all numbers and volume information relating to the Company's Tunisian operations and transactions represent the Company's 60% interest, unless otherwise stated.

Thyna Petroleum Services S.A. ("TPS") Assets: Panoro Energy (29.4% interest)

Production from the TPS assets for the year has averaged 3,696 bopd gross (net: 1,087 bopd). A number of wells were undergoing workover operations and fourth quarter average production was 3,473 bopd gross (net: 1,021 bopd). Workovers on the RHE-01, GUE-03, EL-AIN-01 and GUE-05 wells were performed during the period.

The ongoing workover operations are expected to complete in the coming months on key wells across three fields, with the goal of achieving our targeted production of 5,000 bopd. The first of these activities was completed at the Rhemoura field where production was successfully restarted during January 2020 from the RHE-01 well. Following a successful stimulation workover, the RHE-01 well is now producing at 500-600 bopd, a fourfold productivity increase and a much higher rate than originally anticipated, this result has encouraged us to identify further wells as targets for stimulation across the other fields.

Work is ongoing at El Ain including the planned re-entry and re-start of the EL-AIN-01 well. We will also be bringing the EL AIN-3 well back online after stimulation. At GUE-05, we are awaiting the perforation of the Douleb reservoir, this a newly completed reservoir in this well. These activities alone will, we envisage, enable our target production of 5,000 bopd gross to be reached.

Work is progressing to enhance production through further well work activities at the Guebiba field where additional workovers are being undertaken alongside an enhanced water injection program. At GUE-4 we plan to recover a failed downhole completion and to also complete this well on the Douleb reservoir. TPS are now planning to drill a new production well as a sidetrack to GUE-10 in the Guebiba Field using the CTF Rig 06 ahead of Salloum West. Two further international liftings are anticipated for the year.

An international lifting of approximately 84,000 bbls net to Panoro was completed in November along with one domestic lifting. The next international lifting will be during 1Q 2020 along with two smaller domestic liftings.

Sfax Offshore Exploration Permit (“SOEP”): Panoro Energy (Operator, 52.5% interest)

Panoro is in the advanced phase of preparation to drill the first renewal period commitment well on the Sfax Offshore Exploration Permit. The well, SMW-1, is proposed to test the Salloum West prospect, which is located in a fault block to the west and up-dip of the Salloum structure, an oil discovery drilled and tested by British Gas in 1991.

Panoro has now formalised the drilling plans for SMW-1 including the well planning, location and approvals for drilling. Amongst these approvals, the Environmental Impact Assessment has now been approved by the Agence Nationale de Protection de l'Environnement (“ANPE”) and the well location by ETAP. Commencement of the civils construction works has been delayed pending the issue of an approval from the Military. With this delay to the operations, TPS are now scheduling the sidetrack to GUE-10 using the CTF Rig 06 ahead of Salloum West. Contracts award and negotiations are ongoing with the rig contract now signed with CTF, the Tunisian state-owned drilling company. Contracts for piling operations and the civils construction works on the wellsite have been awarded and start of these operations now awaits the Military approval. The well is expected to spud in 3Q 2020.

The primary target of the SMW-1 well is the Bireno formation which produces from the neighbouring El Ain and Guebiba fields in the TPS assets. The well is planned to test the Bireno at approximately 3,200 vertical metres depth, where Panoro has identified, on 2D and 3D seismic data, what it believes to be an independent block located west of the Salloum-1 discovery.

The objective of the SMW-1 well is to prove up additional resources in the vicinity of the Salloum-1 well and to aggregate them in order to develop Salloum through a tie-in to existing adjacent TPS oil infrastructure.

Hammamet Offshore Exploration Permit: Medco (Operator), Panoro Energy (27.6% interest)

The Hammamet Offshore Exploration Permit expired in September 2018 and is in the process of being formally relinquished with anticipated associated costs of approximately USD 2 million as previously indicated (USD 1.2 million net to Panoro).

NIGERIA (DISCONTINUED OPERATION AND HELD FOR SALE)

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

Net to Panoro, the Aje field produced 302 bopd year to date and an average of 194 bopd during the quarter, with the field shut-in during a period in December for essential works. Production from the Aje field continued from the Aje-4 and Aje-5 wells, with the Aje-4 well producing from the Cenomanian oil reservoir and the Aje-5 well producing from the oil rim of the Turonian reservoir. A crude lifting was carried out in October 2019. Proceeds from crude sales are being applied by the JV towards operating expenses and the reduction of historical payables. The Joint Venture partners are continuing to progress the next phase of activity at the field based around the Turonian gas and liquid reserves.

Panoro announced in October 2019 that it had entered into a sale and purchase agreement with PetroNor E&P Limited (“PetroNor”), an exploration & production oil and gas company listed on the Oslo Axess, to divest all outstanding shares in its fully owned subsidiaries Pan-Petroleum Services Holding BV and Pan-Petroleum Nigeria Holding BV (together referred to as “Divested Subsidiaries”) for an upfront consideration consisting of the allotment and issue of new PetroNor shares with a fixed value of USD 10 million (the “Share Consideration”) plus a contingent consideration of up to USD 25 million based on future gas production volumes. PetroNor has an option to pay a portion of the Share Consideration in cash. The sale transaction is conditional upon execution and completion of the agreements between PetroNor and YFP, the authorisation of the Nigerian Department of Petroleum Resources and the consent of the Nigerian Minister of Petroleum Resources. Panoro’s intention is to declare a special dividend and distribute the Share Consideration, to the extent received in shares, to its shareholders.

As of 31 December 2019, the Group's total debt was USD 25.4 million. The Group closed this quarter with a cash position of USD 30.4 million, including USD 10 million held for the SOEP guarantee. A USD 1 million (net to Panoro) repayment under the amended Mercuria Senior Loan facility was made in October 2019.

Following the agreement with PetroNor, all assets and liabilities pertaining to the Divested Subsidiaries have been assessed and concluded to be part of the disposal group which has been classified as Held for Sale in the Group's balance sheet in the fourth quarter. The results and operations from the OML 113 license have also been reviewed and classified as discontinued operations for reporting purposes with more details included in Note 5 to this report. Following completion of the Transaction, Panoro will have no presence in Nigeria.

On 22 October 2019, the Company successfully completed a private placement of approximately NOK 149 million of new equity (equivalent to approximately 10% of the issued share capital) with the support of new and existing shareholders. The net proceeds of USD 16 million from this private placement will be mainly used to fund Panoro's share of exploration and Phase 3 expenditure of the future work program on the Dussafu permit ("Dussafu"), offshore Gabon, as well as for new exploration ventures identified and for general corporate purposes.

Following commencement of Ruche Phase 1 production in late 2021, Panoro is expected to generate significant post-tax free cash flow. As a result, once Ruche Phase 1 production is online, Panoro intends to distribute up to 50% of net profit in the form of dividend payments or share buybacks, or a combination of both in order to deliver returns to its shareholders. The Board will announce in due course a more precise range of net profit to be available for distribution, taking into account several factors including but not limited to Panoro's operational and financial performance, deleveraging, global macro-environment and oil prices outlook. The Board is committed to implement a balanced approach to both growth going forward and returning capital to shareholders through a dividend policy.

Furthermore, the Company is focussed on adding new material exploration exposure to its balanced E&P portfolio. Panoro's anticipated non-operated stake in any such offshore exploration licenses is expected to be between 10 and 20%.

As indicated in previous quarterly updates, the lifting scheduling across the various production assets will vary and as such, due to revenue recognition accounting standards, uneven quarterly financial results for sales revenues are to be expected despite stable operational performance. As a guidance for the next financial year, we expect 11 liftings to be concluded (excluding Aje field), supplemented by smaller domestic sales in Tunisia.

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

FINANCIAL INFORMATION

INCOME STATEMENT REVIEW

As noted on page 4, by virtue of the shareholder agreement with Beender, Panoro's investment in Sfax Corp is 60%. The two major companies under Sfax Corp structure are PTP and PTE. As such, only 60% of the account balances and transactions of the Tunisian acquisitions have been included on a line by line basis in Panoro's financial statements from their respective completion dates by proportionally consolidating the results and balances of Sfax Corp and its subsidiaries.

During the fourth quarter, the Company has entered into an agreement to divest all its operations in Nigeria to PetroNor, thereby resulting in changes to presentation of the results, operations and assets and liabilities of the disposal group comprising of the Divested Subsidiaries. The results and operations of the Divested Subsidiaries have met the criteria of Discontinued Operations under IFRS 5 and have therefore been isolated and removed from "Continuing activities" and re-classified and presented as a separate line item "Discontinued Operations" in the statement of comprehensive income. Comparatives for the periods presented, pertaining to Discontinued Operations, have also been re-classified in accordance with the accounting standards. Furthermore, assets and liabilities pertaining to the Divested Subsidiaries have also been isolated and presented in separate line items in the statement of financial position as of the fourth quarter 2019. Details of assets and liabilities held for sale and the Discontinued Operations can be referred to in Note 5 to these interim financial statements.

Since start of the year 2019, the Group has enhanced its disclosures and introduced the reporting of Underlying Operating Profit/(Loss) before tax, a Non-GAAP Financial Measure. Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful additional measure to help understand underlying operational performance. The foregoing analysis has also been performed including, on an adjusted basis, the Underlying Operating Profit/(Loss) before tax from continuing operations of the Group. A reconciliation with adjustments to arrive at the Underlying Operating Profit/(Loss) before tax from continuing operations is included in the table below:

Q4 2018	Q3 2019	Q4 2019		2019	2018
<i>(Unaudited)</i>			<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	
708	5,787	(886)	Net income/(loss) before tax - continuing operations	19,234	(4,286)
168	202	250	Share based payments	767	331
331	842	173	Non-recurring costs	1,106	965
-	-	-	Impairment / (reversal) of impairment for Oil and gas assets	(8,145)	-
(756)	(2,806)	2,183	Unrealised (gain)/loss on commodity hedges	1,837	(756)
451	4,025	1,720	Underlying Operating Profit/(Loss) before tax	14,799	(3,746)

Underlying Operating Profit/(Loss) before tax is a supplemental non-GAAP financial measures used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines Underlying Operating Profit/(loss) before tax as Net income (loss) from continuing operations before tax adjusted for (i) Share based payment charges, (ii) unrealised (gain) loss on commodity hedges, (iii) (gain) loss on sale of oil and gas properties, (iv) impairments write-off's and reversals, and (v) similar other material items which management believes affect the comparability of operating results. We believe that Underlying Operating Profit/(Loss) before tax and other similar measures are useful to investors because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the oil and gas sector and will provide investors with a useful tool for assessing the comparability between periods, among securities analysts, as well as company by company. Because EBITDA and Underlying Operating Profit/(Loss) before tax excludes some, but not all, items that affect net income, these measures as presented by us may not be comparable to similarly titled measures of other companies.

Fourth quarter 2019 versus third quarter 2019

As noted above, comparative periods presented have been adjusted to remove the impact on operations from the Group's Nigerian asset following its classification as a discontinued operation and as asset held for sale. The net income/(loss) from discontinued operations is shown separately as a single line in the statement of comprehensive income, see Note 5 for details. As such, the commentary that follows pertains only the Group's continuing operations in Gabon and Tunisia.

Panoro Energy reported an EBITDA from continuing operations of USD 5.2 million for the fourth quarter of 2019, compared to USD 6.2 million in the third quarter of 2019. Lower EBITDA in the fourth quarter of 2019 is a combination of higher operating costs due to two liftings for Dussafu in Gabon and one international lifting for the Group's Tunisian assets. Further, operating costs in 4Q 2019 are higher due to increased workover activity in Tunisia and also due to a swing of USD 1 million in the overlift position in value. It should be noted that lifting scheduling across the various production assets will vary and as such due to revenue recognition accounting standards, uneven financial results are to be expected quarter on quarter despite normal operational performance.

Revenue from continuing operations in the fourth quarter of 2019 was USD 13.7 million compared to USD 10.2 million in 3Q 2019. This comprised solely of oil sales revenue (3Q 2019: USD 8.9 million of oil sales revenue and USD 1.3 million of other revenue). Other revenue represents the gross-up of the State profit oil allocation under the terms of the Dussafu PSC, with a corresponding amount shown as Income tax. This presentation is consistent with oil and gas reporting standards and is a notional adjustment which is neutral to net income/loss on an overall basis.

Higher revenue is a direct result of higher sales volumes in 4Q 2019, which comprised 210,487 barrels (3Q 2019: 154,771 barrels) both excluding Aje. The barrels sold during the fourth quarter comprised two liftings in Dussafu and one international lifting and one smaller domestic lifting for TPS assets. This compares to one lifting at Dussafu, one international and one smaller domestic lifting for TPS assets in the third quarter.

Of the total oil sales revenue from continuing activities of USD 13.7 million for the fourth quarter, USD 7.2 million was from Dussafu and USD 6.5 million from the Group's Tunisian assets. This compares to USD 4 million from Dussafu and USD 4.9 million from the Group's Tunisian assets during the third quarter.

Operating and other costs attributable to continuing operations of the Group were USD 5.6 million in 4Q 2019 compared to USD 1.3 million in 3Q 2019, an increase of USD 4.3 million. The increase is primarily driven by the increased liftings during the quarter as noted above and due to the increased work over activity in Tunisia.

General and Administrative (G&A) costs from continuing operations increased by USD 0.3 million from USD 1.5 million for the third quarter to USD 1.8 million in the current quarter. This is reflective of the increased activity during the quarter in Tunisia and cyclicity of the timing of some annual overheads.

Non-recurring transaction costs in the fourth quarter were USD 173 thousand compared to USD 0.8 million in the previous quarter. 3Q 2019 was higher predominantly due to staff restructuring in the Tunisian operations of USD 0.5 million. Non-recurring primarily included costs associated with work to streamline the overall group structure and integration activities and all related to the Group's continuing operations.

Exploration related costs for the current quarter were a credit of USD 219 thousand compared to costs of USD 127 thousand in the previous quarter, all from the continuing operations of the Group. This resulted from a year to date true up exercise to capitalise USD 0.8 million of eligible exploration costs related to Salloum West well in Tunisia.

Depreciation charge for the Group's assets attributable to continuing operations increased by USD 0.6 million to USD 2.2 million in the current quarter compared to USD 1.6 million in the previous quarter. The increase is primarily driven by a higher depreciation charge for Dussafu in the quarter, USD 1.3 million compared to USD 0.6 million in the previous quarter. The higher depreciation charge for Dussafu for the current quarter results from the reserves upgrade in October which resulted in an upward revision to future capital expenditure required to access the increased 2P reserves.

There was no impairment charge or reversal for continuing operations during both 4Q 2019 and 3Q 2019.

EBIT for continuing operations in the fourth quarter of 2019 is thus a positive of USD 2.5 million compared to USD 4.4 million in 3Q 2019.

Net financial items from continuing operations amounted to a charge of USD 3.3 million in the fourth quarter compared to positive USD 1.4 million in the previous quarter. The main driver for the change was unrealised losses on commodity hedges of USD 2.2 million in the fourth quarter, compared to an unrealised gain on the same of USD 2.8 million in the third quarter.

Loss before tax for the fourth quarter from continuing operations was USD 0.9 million compared to a profit of USD 5.8 million in the third quarter of 2019.

Fourth quarter net loss after tax from continuing operations was USD 3.5 million compared to a net profit of USD 2.1 million in the third quarter.

Corporation taxes decreased from USD 3.6 million for the third quarter to USD 2.7 million in the fourth quarter. The tax charge in 4Q 2019 relates solely to the Tunisian operations whereas the tax charge in the third quarter included USD 1.3 million representing State profit oil under the terms of the Dussafu PSC, and USD 2.3 million for the Tunisian operations.

Underlying Operating Profit before tax from continuing operations for the fourth quarter of 2019 was USD 1.7 million compared to USD 4.0 million for the third quarter of 2019 (see details on page 7).

Full year 2019 versus full year 2018

The discussion and analysis below represent the results from the Group's continuing operations in Tunisia and Gabon. Comparative information has been restated accordingly.

Panoro Energy reported a positive EBITDA from continuing operations of USD 25.9 million for the year ended 31 December 2019, compared to negative USD 3.8 million for 2018.

Revenue from sale of oil in 2019 from continuing operations is USD 43 million compared to USD 2.6 million for 2018. As noted above, following designation of Aje as a discontinued operation in 4Q 2019, the 2018 comparatives have been restated to exclude all revenue and costs for Aje in line with IFRS requirements.

Revenue from sale of oil from continuing operations for 2019 comprised six liftings from Dussafu totalling USD 22.9 million; coupled with USD 20.1 million from the Group's Tunisian portfolio comprising three international liftings and six smaller domestic liftings. This compares to one lifting of USD 2.7 million for Dussafu in 2018.

Other revenue, representing the estimated gross-up of the State profit oil allocation under the terms of the Dussafu PSC, with a corresponding amount shown as Income tax, is USD 5.2 million compared to USD 0.9 million for 2018.

Operating Costs attributed to continuing operations of the Group for 2019 are USD 15.6 million compared to USD 1 million for 2018. This year on year increase reflects the inclusion of the Tunisian operations from 1 January 2019, following completion of the acquisition of TPS assets in December 2018 and a full year of Dussafu production. In comparison, 2018 only included three months of Dussafu operating costs.

G&A costs relating to continuing operations increased from USD 4.7 million in 2018 to USD 5.6 million for 2019. The increase in 2019, is in line with previous guidance and reflects the consolidation of the Tunisian operations and addition of new staff members in the Group to cater for the increase in operations.

Exploration related costs for 2019 are USD 134 thousand compared to USD 0.7 million in 2018, all related to the Group's continuing operations. Qualifying costs in relation to SOEP have been capitalised as licence and exploration assets during the year resulting in lower expense in the current period.

Non-recurring costs were USD 1.1 million for 2019, compared to USD 1 million for 2018, all related to the Group's continuing operations in both years. During 2018, the non-recurring costs related primarily to the costs in relation to the Tunisian acquisitions. During 2019, USD 0.5 million was directly attributable to redundancy payments related to the Tunis operations whilst the remainder primarily relate to internal restructuring to streamline the group structure and integration activities.

Depreciation, depletion and amortisation charge for the year for continuing operations amounted to USD 6.9 million compared to USD 0.3 million in 2018. Prior year charge related to Dussafu following first oil in September whereas the depreciation charge for 2019 comprises USD 3.6 million for the Group's Tunisian assets and USD 3.1 million for Dussafu, with the remainder USD 0.2 million relating to other assets for the London and Tunis offices.

An impairment reversal of USD 8.1 million was recognized in Q2 2019 in relation to the Group's interest in the Dussafu permit, offshore Gabon. This resulted from a positive revision in economic evaluations including an independent reserves upgrade.

EBIT from continuing operations for 2019 was thus a positive of USD 26 million compared to negative USD 4.4 million for 2018.

Net financial items from continuing operations amount to an expense of USD 6.8 million for 2019 compared to a positive USD 137 thousand for 2018. The main drivers for the increase are: interest on the Senior Secured loan facility of USD 1.5 million (2018: USD 67 thousand); interest on BW Energy Non-Recourse Loan USD 1 million (2018: USD Nil); unrealised losses on commodity hedges USD 1.9 million (2018: gain of USD 0.8 million); realised loss on commodity hedges of USD 1 million (2018: USD Nil). The remaining charge for 2019 represented the interest on unwinding of decommissioning provision.

Profit before tax from continuing operations for 2019 was USD 19.2 million compared to a pre-tax loss of USD 4.3 million for 2018.

Corporation taxes of USD 13.8 million in 2019 compared to USD 0.9 million 2018. The tax charge for 2019 includes an estimated USD 5.2 million representing State profit oil under the terms of the Dussafu PSC and USD 8.5 million for taxes on profits for the Group's Tunisian Operations.

Net profit after tax from continuing operations for 2019 was therefore USD 5.4 million, compared to a net loss after tax of USD 5.2 million for 2018.

Underlying Operating Profit before tax from continuing operations for 2019 was USD 14.8 million compared to an Underlying Operating loss before tax of USD 3.7 million for 2018.

STATEMENT OF FINANCIAL POSITION REVIEW

As noted on page 4, by virtue of a shareholder agreement with Beender, Panoro's investment in Sfax Corp is 60%. The two major companies under Sfax Corp structure are PTP and PTE. As such, only 60% of the account balances and transactions of the Tunisian acquisitions have been included on a line by line basis in Panoro's financial statements from their respective completion dates by proportionally consolidating the results and balances of Sfax Corp and its subsidiaries.

During the fourth quarter, the Company has entered into an agreement to divest all its operations in Nigeria to PetroNor, thereby resulting in changes to presentation of the results, operations and assets and liabilities of the disposal group comprising of the Divested Subsidiaries. Assets and liabilities pertaining to the Divested Subsidiaries have also been isolated and presented in separate line items in the statement of financial position as of the fourth quarter 2019. Details of assets and liabilities held for sale can be referred to in Note 5 to the interim financial statements.

Movements to 31 December 2019 from 30 September 2019

Movements in the Group statement of financial position between the third and fourth quarter of 2019 were a combination of the following:

Non-current assets

Non-current assets amount to USD 86.8 million at 31 December 2019, a decrease of 11.6 million from USD 98.4 million at 30 September 2019.

An explanation of such movement is mainly the transfer USD 19.6 million of non-current assets related to Aje following its classification as held for sale. Remaining movements are a result of a combination of capitalisation of assets offset by depreciation charge for the current quarter.

Current assets

Current assets amount to USD 44.8 million as of 31 December 2019, compared to USD 32.2 million at 30 September 2019.

Aje Crude oil inventory of USD 1.3 million has been classified as held for sale; the remaining crude oil inventory at cost of USD 277 thousand relates entirely to Tunisian operations. There was no crude inventory reported for Dussafu at the end of the quarter as the Group was in an overlift position following two Dussafu liftings in the quarter. Materials inventory was largely unchanged from the previous quarter.

Trade and other receivables at 31 December 2019 are USD 9.4 million, an increase of USD 5.7 million from USD 3.7 million at 30 September 2019. The increase reflects uncollected proceeds from the latest Dussafu lifting of USD 4.2 million and USD 1.7 million receivable from Tullow Oil Gabon SA following completion of their back-in to the Dussafu permit. USD 1.8 million relates to Tunisian domestic oil sales receivable at the end of the current quarter.

The Group is committed to an obligation of drilling one well on SOEP in Tunisia. In support of this obligation, the Group has issued a bank guarantee against which a deposit of USD 10 million (net to Panoro) was placed in January 2019 and is included within current assets at 31 December 2019.

Consequently, cash and cash equivalents stood at USD 20.5 million, compared to USD 10.1 million at 30 September 2019 (both periods excluding USD 10 million held for the SOEP guarantee). The increase in cash and cash equivalents is mainly due to the proceeds from private placement in October 2019, of approximately NOK 149 million (USD 16 million). Cash outflow relating to investing activities to progress the Group's oil and gas assets was USD 4 million, compared to USD 4.2 million in the previous quarter.

Equity

Equity as at 31 December 2019 amounts to USD 72.7 million compared to USD 53.5 million at the end of September 2019.

Non-current liabilities

Total non-current liabilities are USD 41.1 million as at 31 December 2019 compared to USD 53.6 million at 30 September 2019.

The classification of Aje related liabilities of USD 11.1 million as held for sale, included the decommissioning liability and non-current payables due to the Aje joint venture (Note 5).

Non-current portion of the Mercuria Senior Secured facility decreased from USD 13.8 million at 30 September 2019 to USD 13.1 million at 31 December 2019. BW Energy non-recourse loan balance remained unchanged except for interest accrual on an overall basis. The non-current portion of the BWE loan was USD 3.4 million compared to USD 5.2 million as of 30 September 2019. The change in maturity profile is a result of anticipated acceleration in repayments, following commissioning of Phase 2 Tortue development in 2020. The remaining liabilities included the non-current portion of fair value of hedge instruments amounting to USD 0.1 million (30 September 2019: nil).

Non-current liabilities at 30 September 2019 comprised solely of non-current portion of the payables to the Aje joint venture, which have been reclassified as liabilities held for sale at 31 December 2019 and amounted to USD 11.1 million. The balance of USD 0.7 million in other non-current liabilities at 31 December 2019 represents the lease liability recognised on first time adoption of IFRS 16 in 2019.

Current liabilities

Current liabilities amounted to USD 22.3 million at 31 December 2019, compared to USD 23.5 million at the end of September 2019, a decrease of USD 1.2 million.

Corporation tax liabilities were USD 6.0 million as at 31 December 2019 (30 September 2019: USD 5.6 million). Corporation tax liabilities relate primarily to taxes due on income from TPS Assets.

The current portion of the Mercuria Senior Secured facility at 31 December 2019 amounted to USD 4.0 million compared to USD 4.3 million at 30 September 2019. BW Energy non-recourse remained unchanged except for interest accrual on an overall basis. The current portion of the BWE loan was USD 4.7 million compared to USD 2.8 million as of 30 September 2019. The change in maturity profile is a result of anticipated acceleration in repayments, following commissioning of Phase 2 Tortue development in 2020.

Also included in the current liabilities is the current portion of fair value of hedge instruments amounting to USD 1.0 million as at 31 December 2019 (30 September 2019: nil). Other current liabilities include the overlift liability on Dussafu of USD 1.0 million and also operational accruals of USD 0.7 million.

Accruals and other payable amounted to USD 2.4 million at 31 December 2019, a decrease of USD 7.3 million compared to the balance of USD 9.7 million at 30 September 2019, following the reclassification of Aje liabilities as held for sale.

Movements to 31 December 2019 from 31 December 2018

Movements in the Group statement of financial position during the year ended 31 December 2019 were a combination of the following:

Non-current assets

Non-current assets amount to USD 86.8 million at 31 December 2019, a decrease of 2.5 million from USD 89.3 million at 31 December 2018. The movements in non-current assets are mainly the transfer USD 19.6 million of non-current assets related to Aje following its classification as held for sale, which includes an USD 8.0 million impairment gain. Remaining movements are a result of a combination of capitalisation of assets of approximately USD 10.0 million, offset by depreciation charge for the year of USD 6.6 million for continuing operations.

In addition, there is the impact of an impairment reversal of USD 8.1 million during the year relating to the Group's interest in the Dussafu permit, offshore Gabon. The impairment reversal followed a positive revision in economic evaluations. These include an independent reserves upgrade, which attributed higher recoverable amounts on both 1P and 2P profiles and the sanction of Phase II of the development.

Current asset

Current assets amount to USD 44.8 million as of 31 December 2019, compared to USD 35.7 million at 31 December 2018. Crude inventory decreased from USD 2.3 million at 31 December 2018 to USD 277 thousand at 31 December 2019. Materials inventory was USD 4.8 million at 31 December 2019, compared to USD 4.1 million at 31 December 2018.

Trade and other receivables at 31 December 2019 are USD 9.4 million, an increase of USD 3.8 million from USD 5.6 million at 31 December 2018. The increase reflects uncollected proceeds from the latest Dussafu lifting of USD 4.2 million and USD 1.7 million

receivable from Tullow Oil Gabon SA following completion of their back-in to the Dussafu permit. USD 1.8 million relates to Tunisian domestic oil sales receivable at the end of the current year.

At 31 December 2019, the fair value of commodity hedges was a negative and included in current and non-current liabilities based on maturity. The related current asset at 31 December 2018 was USD 0.4 million.

The Group is committed to an obligation of drilling one well on SOEP in Tunisia. In support of this obligation, the Group has issued a bank guarantee against which a deposit of USD 10 million (net to Panoro) was placed in January 2019 and is included within current assets at 31 December 2019.

Consequently, cash and cash equivalents stood at USD 20.5 million, compared to USD 23.4 million at 31 December 2018. The key inflows of cash and cash equivalents during the year include additional funding from Mercuria in June, USD 2.5 million and proceeds of NOK 149 million (USD 16 million) from a private placement in October 2019. The most significant outflows include investments in the Group's oil and gas assets of USD 12 million (year ended 31 December 2018: USD 31.3 million, driven by the Tunisian acquisitions) and cash outflow relating to financing activities including interest on loans and borrowings of USD 2.1 million (year ended 31 December 2018: inflow of USD 53.7 million).

Equity

Equity as at 31 December 2019 amounts to USD 72.7 million compared to USD 46.3 million at the end of December 2018.

Non-current liabilities

Total non-current liabilities are USD 41.1 million as at 31 December 2019 compared to USD 55.9 million at 31 December 2018.

The classification of Aje related liabilities of USD 11.1 million as held for sale, included the decommissioning liability and non-current payables due to the Aje joint venture (Note 5). The remaining decommissioning liability at 31 December 2019 of USD 19.1 million related to Dussafu and TPS assets.

Non-current portion of the Mercuria Senior Secured facility decreased from USD 13.2 million at 31 December 2018 to USD 13.1 million at 31 December 2019. This movement is a result of two repayments of principal during the year amounting to USD 1.7 million offset by additional funding of USD 2.5 million net to the Group, and the accumulation of interest.

On an overall basis, BW Energy non-recourse loan balance reduced from USD 13.1 million at 31 December 2018 to USD 8.1 million at 31 December 2019. The non-current portion of the loan reduced by USD 6 million during the current year, from USD 9.4 million to USD 3.4 million. The change in maturity profile at 31 December 2019 is a result of anticipated acceleration in repayments, following commissioning of Phase 2 Tortue development in 2020. The remaining non-current liabilities at 31 December 2019 included the non-current portion of fair value of hedge instruments amounting to USD 0.1 million (31 December 2018: nil).

Other non-current liabilities at 31 December 2019 comprised solely of non-current portion of the payables to the Aje joint venture, which have been reclassified as liabilities held for sale at 31 December 2019 and amounted to USD 11.1 million. The balance of USD 0.7 million in other non-current liabilities at 31 December 2019 represents the lease liability recognised on first time adoption of IFRS 16 in 2019.

Current liabilities

Current liabilities amounted to USD 22.3 million at 31 December 2019 compared to USD 22.8 million at 31 December 2018, an increase of USD 0.5 million.

USD 4.7 million reflects the current portion of the BW Energy non-recourse loan including accrued interest (31 December 2018: USD 3.8 million), USD 3.8 million is the current portion of the Mercuria Senior Loan facility (31 December 2018: USD 2.6 million) and USD 6 million of corporation tax liabilities (31 December 2018: USD 5.8 million).

Accruals and other payable amounted to USD 2.4 million at 31 December 2019, a decrease of USD 5.2 million from the 31 December 2018 balance of USD 7.6 million. A total of USD 5.3 million of current liabilities related to Aje have now been classified as held for sale (Note 5).

OUTLOOK

- Material production growth anticipated in both assets (guidance ca 50% higher than 2019)
- As many as 4 exploration wells to be drilled in 2020 (2 are option slots)
- Focus on bringing in modest stakes in new exploration ventures
- Working towards completion of Aje sale
- Continuing to review growth opportunities

THE BOARD OF DIRECTORS

JULIEN BALKANY	TORSTEIN SANNESS	GARRETT SODEN
Chairman of the Board	Deputy Chairman of the Board	Non-Executive Director
ALEXANDRA HERGER	HILDE ÅDLAND	
Non-Executive Director	Non-Executive Director	

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

Q4 2018	Q3 2019	Q4 2019		Note	2019	2018	
<i>(Unaudited)</i>			<i>Amounts in USD 000</i>		<i>(Unaudited)</i>		
			CONTINUING OPERATIONS				
2,616	8,863	13,693	Oil revenue		42,968	2,616	
877	1,301	-	Other revenue		5,222	877	
3,493	10,164	13,693	Total revenues		48,190	3,493	
(1,246)	(1,310)	(5,591)	Operating costs		(15,616)	(1,018)	
228	(170)	(1,143)	(Overlift)/underlift		170	-	
(130)	(127)	219	Exploration related costs		(134)	(661)	
(1,081)	(1,527)	(1,783)	General and administrative costs	4	(5,636)	(4,655)	
(331)	(842)	(173)	Non-recurring costs	4	(1,106)	(965)	
933	6,188	5,222	EBITDA		25,868	(3,806)	
(172)	(1,601)	(2,231)	Depreciation, depletion and amortisation	7	(6,909)	(286)	
-	-	-	(Impairment) / reversal of impairment for Oil and gas assets	7	8,145	-	
-	-	(288)	Gain/(oss) on disposal of assets		(288)	-	
(168)	(202)	(250)	Share based payments		(767)	(331)	
593	4,385	2,453	EBIT - Operating income/(loss)		26,049	(4,423)	
(59)	(608)	(515)	Interest costs net of income		(2,496)	(26)	
756	2,806	(2,183)	Unrealised gain/(loss) on commodity hedges		(1,837)	756	
-	(101)	(198)	Realised gain/(loss) on commodity hedges		(980)	-	
(27)	(266)	(17)	Other financial costs net of income		(779)	(46)	
(555)	(429)	(426)	Net foreign exchange gain / (loss)		(723)	(547)	
708	5,787	(886)	Net income/(loss) before tax		19,234	(4,286)	
(877)	(3,641)	(2,663)	Income tax benefit/(expense)	15	(13,809)	(877)	
(169)	2,146	(3,549)	Net income/(loss) for the period from continuing operations		5,425	(5,163)	
			DISCONTINUED OPERATIONS				
(1,340)	(1,695)	6,599	Net income / (loss) for the period from Discontinued operations	5	4,822	(1,944)	
(1,509)	451	3,050	Net income/(loss) for the period		10,247	(7,107)	
-	-	-	Exchange differences arising from translation of foreign operations		-	-	
-	-	-	Other comprehensive income/(loss) for the period (net of tax)		-	(3)	
(1,509)	451	3,050	Total comprehensive income/(loss) for the period (net of tax)		10,247	(7,110)	
			NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
(1,509)	451	3,050	Equity holders of the parent		10,247	(7,107)	
			TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:				
(1,509)	451	3,050	Equity holders of the parent		10,247	(7,110)	
			EARNINGS PER SHARE				
(0.02)	0.01	0.05	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Total	6	0.16	(0.16)	
(0.00)	0.03	(0.05)	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Continuing operations	6	0.09	(0.12)	

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

The audited 2018 Statement of Comprehensive Income and the other unaudited prior period quarterly comparatives have been restated in accordance with IFRS in order to disclose discontinued operations separately from continuing activities.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		31 December 2019	30 September 2019	31 December 2018
Amounts in USD 000		(Unaudited)		(Audited)
Production assets and equipment	7	31,068	39,044	41,612
Production rights	7	28,909	29,964	31,082
Licenses and exploration assets	7	19,760	23,783	15,197
Development assets	7	5,910	4,349	632
Property, furniture, fixtures and office equipment		948	389	134
Investment in associates and joint ventures		38	38	38
Fair value of commodity hedges	8	-	696	392
Other non-current assets		131	122	245
Total Non-current assets		86,764	98,385	89,332
Crude Oil Inventory		277	3,454	2,255
Materials Inventory		4,773	4,594	4,086
Trade and other receivables		9,372	3,742	5,577
Fair value of commodity hedges - current portion	8	-	407	364
Cash and cash equivalents	9	20,461	10,078	23,367
Cash held for Bank guarantee	10	9,960	9,960	-
Restricted cash		-	-	76
Total current assets		44,843	32,235	35,725
Assets classified as held for sale	5	20,925	-	-
Total Assets		152,532	130,620	125,057
Share capital	11	458	424	423
Other equity		72,290	53,052	45,889
Total Equity attributable to equity holders of the parent		72,748	53,476	46,312
Decommissioning liability	14	19,095	22,034	20,739
Senior Secured Loan	12	13,091	13,774	13,191
BW Energy Non-Recourse Loan	13	3,380	5,196	9,392
Licence Obligations		4,726	4,726	4,726
Fair value of commodity hedges	8	106	-	-
Other non-current liabilities		679	7,872	7,877
Total Non-current liabilities		41,077	53,602	55,925
Accounts payable, accruals and other liabilities		2,383	9,703	7,551
Senior Secured Loan - current portion	12	3,797	4,123	2,605
BW Energy Non-Recourse Loan - current portion	13	4,729	2,770	3,751
Licence Obligations - current portion		1,166	1,166	1,166
Fair value of commodity hedges - current portion	8	974	-	-
Other current liabilities		3,289	213	1,943
Corporation tax liability	15	5,994	5,567	5,804
Total current liabilities		22,332	23,542	22,820
Liabilities directly associated with assets classified as held for sale	5	16,375	-	-
Total Liabilities		79,784	77,144	78,745
Total Equity and Liabilities		152,532	130,620	125,057

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

Q4 2018	Q3 2019	Q4 2019		Note	YTD 2019	YTD 2018
<i>(Unaudited)</i>		<i>Amounts in USD 000</i>			<i>(Unaudited)</i>	
CASH FLOW FROM OPERATING ACTIVITIES						
708	5,787	(885)	Net income/(loss) for the period before tax - Continuing operations		19,234	(4,245)
(1,340)	(1,695)	6,598	Net income/(loss) for the period before tax - Discontinued operations		4,822	(1,944)
ADJUSTED FOR:						
1,259	2,295	2,686	Depreciation		9,920	3,568
130	127	(219)	Exploration related costs and Operator G&A		134	661
-	-	(8,000)	Impairment and asset write-off / (impairment reversal)		(16,145)	-
(756)	(2,705)	2,381	Loss/(gain) on commodity hedges		2,817	(756)
117	1,010	664	Net finance costs		3,820	488
168	202	250	Share-based payments		767	331
555	230	625	Unrealised foreign exchange loss/(gain)		723	547
(921)	2,421	621	Increase/(decrease) in trade and other payables		769	121
(3,145)	2,799	(3,944)	(Increase)/decrease in trade and other receivables		(1,986)	(2,854)
1,490	(1,990)	1,704	(Increase)/decrease in inventories		(3)	(318)
(891)	(7,510)	(2,236)	Taxes paid	15	(13,619)	(936)
(2,626)	971	245	Net cash (out)/inflow from operations		11,253	(5,337)
CASH FLOW FROM INVESTING ACTIVITIES						
(32,351)	-	-	Cash outflow relating to acquisitions		(510)	(33,601)
796	-	-	Net cash acquired at acquisitions		-	9,067
(5,900)	(4,243)	(4,030)	Investment in exploration, production and other assets	7	(11,526)	(17,727)
238	-	-	Increase/(decrease) in non-recourse loan		-	10,946
(37,217)	(4,243)	(4,030)	Net cash (out)/inflow from investing activities		(12,036)	(31,315)
CASH FLOW FROM FINANCING ACTIVITIES						
29,830	(380)	16,619	Gross proceeds from Equity Private Placement and Treasury Shares		16,239	38,410
(1,680)	-	(436)	Cost of Equity Private Placement and Treasury Shares issued		(436)	(1,680)
-	-	(381)	Cash cost of equity issue on settlement of RSUs		(381)	-
(240)	-	-	Share buyback		-	(240)
16,200	-	-	Gross proceeds from loans and borrowings		2,460	16,200
-	(1,547)	-	Repayment of BW Energy non-recourse loan	13	(6,020)	-
-	-	(2,099)	Repayment of Senior Secured loan	12	(2,759)	-
-	(101)	(199)	Realised gain/(loss) on commodity hedges		(981)	-
(471)	(224)	855	Borrowing costs, including arrangement fees		-	(471)
-	-	-	Lease liability payments		(314)	-
4	-	-	Financial income, net of charges paid		-	(14)
-	-	-	Cash held for Bank Guarantee	10	(9,960)	-
127	76	-	Movement in restricted cash balance		76	1,500
43,770	(2,176)	14,359	Net cash (out)/inflow from financing activities		(2,076)	53,705
(1)	-	-	Effect of foreign currency translation adjustment on cash balances		-	(3)
3,926	(5,448)	10,574	Change in cash and cash equivalents during the period		(2,859)	17,050
19,441	15,526	10,078	Cash and cash equivalents at the beginning of the period		23,367	6,317
23,367	10,078	20,652	Cash and cash equivalents at the end of the period		20,508	23,367
-	-	-	Cash and cash equivalents classified as assets held for sale	5	(47)	-
23,367	10,078	20,652	Cash and cash equivalents at the end of the period		20,461	23,367

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

The audited 2018 statement of Cash Flows and the other unaudited prior period quarterly comparatives have been restated in accordance with IFRS in order to disclose discontinued operations separately from continuing activities.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

<i>For the year ended</i>								
<i>31 December 2019</i>								
<i>Amounts in USD 000</i>								
	Issued capital	Share premium	Treasury Shares	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2019 - (Audited)	423	333,093	-	122,078	(365,873)	(37,647)	(5,762)	46,312
Net income/(loss) for the period - Continuing operations	-	-	-	-	5,426	-	-	5,426
Net income/(loss) for the period - Discontinued Operations	-	-	-	-	4,821	-	-	4,821
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	10,247	-	-	10,247
Share issue for cash	34	16,205	-	-	-	-	-	16,239
Transaction costs on share issue	-	(436)	-	-	-	-	-	(436)
Share issue for cash	1	333	-	-	-	-	-	334
Employee share options charge	-	-	-	767	-	-	-	767
Settlement of Restricted Share Units	-	-	-	(715)	-	-	-	(715)
At 31 December 2019 - (Unaudited)	458	349,195	-	122,130	(355,626)	(37,647)	(5,762)	72,748

Attributable to equity holders of the parent

<i>For the year ended</i>								
<i>31 December 2018</i>								
<i>Amounts in USD 000</i>								
	Issued capital	Share premium	Treasury Shares	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2018 - (Audited)	299	297,490	(503)	122,206	(358,766)	(37,647)	(5,758)	17,320
Net income/(loss) for the period - continuing operations	-	-	-	-	(5,020)	-	-	(5,020)
Net income/(loss) for the period - discontinued operations	-	-	-	-	(2,087)	-	-	(2,087)
Other comprehensive income/(loss)	-	-	-	-	-	-	(4)	(4)
Total comprehensive income/(loss)	-	-	-	-	(7,107)	-	(4)	(7,111)
Sale of own shares	-	(503)	503	-	-	-	-	-
Share issue for cash	124	37,786	-	-	-	-	-	37,910
Transaction costs on share issue	-	(1,680)	-	-	-	-	-	(1,680)
Share buyback	-	-	240	-	-	-	-	240
Share re-issue (Mercuria loan fee)	-	-	(240)	-	-	-	-	(240)
Employees share options	-	-	-	331	-	-	-	331
Settlement of Restricted Share Units	-	-	-	(459)	-	-	-	(459)
At 31 December 2018 - (Audited)	423	333,093	-	122,078	(365,873)	(37,647)	(5,762)	46,312

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

The audited 2018 Statement of Changes in Equity has been restated in accordance with IFRS in order to disclose discontinued operations separately from continuing activities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The holding Company, Panoro Energy ASA, was incorporated on 28 April 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 Advokatfirmaet Schjødt AS, Ruseløkkveien 14 0251 Oslo, Norway.

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in Africa. The unaudited condensed consolidated financial statements of the Group for the period ended 31 December 2019 were authorised for issue by the Board of Directors on 25 February 2020.

The Company's shares are traded on the Oslo Stock Exchange under the ticker symbol PEN.

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU. The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial information and the risk factors contained in the Company's 2018 Annual Report and the Company's Prospectus, published in December 2018. A copy of the 2018 Annual Report and the listing prospectus are available on the Company's website 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.

During the fourth quarter, the Company entered into an agreement to divest all its operations in Nigeria to PetroNor, thereby resulting in changes to presentation of the results, operations and assets and liabilities of the disposal group comprising of the Divested Subsidiaries. The results and operations of the Divested Subsidiaries have met the criteria of Discontinued Operations under IFRS 5 and have therefore been isolated and removed from "Continuing activities" and re-classified and presented as a separate line item "Discontinued Operations" in the statement of comprehensive income. Comparatives for the periods presented, pertaining to Discontinued Operations, have also been re-classified in accordance with the accounting standards. Furthermore, assets and liabilities pertaining to the Divested Subsidiaries have also been isolated and presented in separate line items in the statement of financial position from the fourth quarter 2019. Details of assets and liabilities held for sale and the Discontinued Operations can be referred to in Note 5 to these interim financial statements.

Effective 1 January 2019, the Group has reassessed the financial statement disclosures for its discontinued operations in Brazil, which have become immaterial. As a result, from Q1 2019, the results of Brazilian operations are included within the General and Administrative (G&A) costs within continuing operations. For clarity and comparability of the financial statements, the comparative periods presented have also been reclassified. Consequently, the amounts for discontinued operations reclassified to G&A costs for the periods presented is as follows: Q4 2019: USD 21 thousand, Q3 2019: USD 27 thousand and Q4 2018: USD 27 thousand.

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 2018 Annual Report.

3 SEGMENT INFORMATION

The Group operates predominantly in two business segments being the exploration and production of oil and gas in North Africa (Tunisia) and West Africa (Gabon).

As noted above, from the fourth quarter of 2019, the business in Nigeria is classified as a “Discontinued Operation” and as an asset held for sale. Segment information has therefore been re-arranged in line with reporting requirements for such item.

The Group’s reportable segments, for both management and financial reporting purposes, are as follows:

- The North African segment holds the following assets:
 - Sfax Offshore Exploration Permit: Panoro Tunisia Exploration AS (Operator, 52.5%* interest net to Panoro)
 - The Hammamet Offshore Exploration Permit: Medco (Operator), Panoro Tunisia Exploration AS (27.6%* interest net to Panoro), under relinquishment
 - TPS Assets: ETAP, 51% and Panoro TPS Production GmbH, 49% (29.4%* interest net to Panoro).

**Figures only represent net participation interest in proportion to Panoro’s equity holding in Sfax Petroleum Corporation AS.*

- The West African segment holds the following assets:
 - The Dussafu licence representing the Group’s 7.5% working interest in the Dussafu Marin exploration licence in Gabon**

*** Tullow exercised their 10% back-in right in the licence on 17 December 2019, Panoro’s interest therefore reduced from 8.3333% to 7.5%*

- The ‘Corporate’ category consists of head office and service company operations that are not directly attributable to the other segments. Further, it also includes the residual corporate business in Brazil which is expected to be dormant in the foreseeable future.
- Discontinued Operations and assets held for sale:
 - The OML113-Aje represents the Group’s 12.1913% revenue interest, 16.255% paying interest and 6.502% participating interest) in the OML113-Aje exploration licence in Nigeria.

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

Q4 2018	Q3 2019	Q4 2019		2019	2018
<i>(Unaudited)</i>			OPERATING SEGMENTS - GROUP NET SALES	<i>(Unaudited)</i>	
-	1,010	1,021	Net average daily production - TPS assets (bopd)	1,087	-
997	971	900	Net average daily production - Dussafu (bopd)	982	957
997	1,981	1,921	Total Group Net average daily production (bopd)	2,069	957
-	94,422	96,932	Oil sales (bbls) - Net to Panoro - TPS assets, Tunisia	338,255	-
45,853	60,349	113,555	Oil sales (bbls) - Net to Panoro - Dussafu, Gabon	352,789	45,853
45,853	154,771	210,487	Total Group Net Sales (bbls) - continuing operations	691,044	45,853
<i>(Unaudited)</i>			Discontinued operations	<i>(Unaudited)</i>	
368	270	194	Net average daily production - Aje (bopd)	302	358
37,632	-	29,522	Oil sales (bbls) - Net to Panoro - Aje, Nigeria	122,364	142,761
<i>(Unaudited)</i>			OPERATING SEGMENT - NORTH AFRICA	<i>(Unaudited)</i>	
<i>in USD 000</i>					
(627)	3,144	3,209	EBITDA	11,924	(1,402)
11	962	770	Depreciation and amortisation	3,493	65
-	72,355	-	Segment assets	69,860	65,481
<i>(Unaudited)</i>			OPERATING SEGMENT - WEST AFRICA - GABON	<i>(Unaudited)</i>	
<i>in USD 000</i>					
2,016	3,867	3,665	EBITDA	18,174	793
-	-	-	Impairment of E&E Assets - Charge/(Reversal)	(8,145)	-
158	575	1,303	Depreciation and amortisation	3,061	3,458
-	54,396	-	Segment assets	49,175	47,418
<i>(Unaudited)</i>			CORPORATE	<i>(Unaudited)</i>	
<i>in USD 000</i>					
(456)	(823)	(1,652)	EBITDA	(4,230)	(1,300)
3	64	158	Depreciation and amortisation	355	45
-	3,869	-	Segment assets	12,572	12,158
<i>(Unaudited)</i>			TOTAL - CONTINUING OPERATIONS	<i>(Unaudited)</i>	
<i>in USD 000</i>					
933	6,188	5,222	EBITDA	25,868	(1,909)
-	-	-	Impairment of E&E Assets - Charge/(Reversal)	(8,145)	-
172	1,601	2,231	Depreciation and amortisation	6,909	3,568
-	130,620	-	Segment assets	131,607	125,057
<i>(Unaudited)</i>			Nigeria - Discontinued operations	<i>(Unaudited)</i>	
<i>in USD 000</i>					
(1,340)	(1,695)	6,599	Net income/(loss) for the period-Discontinued operations	4,822	(1,944)
-	-	20,925	Assets classified as held for sale (Note 5)	20,925	-
-	-	(16,375)	Liabilities directly associated with assets classified as held for sale (Note 5)	(16,375)	-

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 GENERAL AND ADMINISTRATIVE (G&A) COSTS

Q4 2018	Q3 2019	Q4 2019		2019	2018
<i>(Unaudited)</i>			<i>Amounts in USD 000, unless otherwise stated</i>	<i>(Unaudited)</i>	
1,081	1,527	1,783	General and Administrative Costs - Corporate, London and Tunis	5,636	4,655
331	842	173	Non-Recurring Transaction Costs (4.1)	1,106	965
1,412	2,369	1,956	Total General and Administrative Related Costs	6,742	5,620

4.1 Non-recurring costs during 2019 include USD 0.5 million for organisational restructure in Tunisia. The remainder of the non-recurring costs in 2019 relate to integration activities and costs incurred for an internal restructuring to streamline the group structure. Non-recurring costs in 2018 were primarily related to the Tunisian asset acquisitions. The non-recurring costs have been expensed as incurred and are reported separately from recurring G&A costs for comparative purposes.

5 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations:

On 21 October 2019, the Company entered into a sale and purchase agreement with PetroNor E&P Limited ("PetroNor"), an exploration & production oil and gas company listed on the Oslo Axess, to divest all outstanding shares in its fully owned subsidiaries Pan-Petroleum Services Holding BV and Pan-Petroleum Nigeria Holding BV (together referred to as "Divested Subsidiaries") for an upfront consideration consisting of the allotment and issue of new PetroNor shares with a fixed value of USD 10 million (the "Share Consideration") plus a contingent consideration of up to USD 25 million based on future gas production volumes. PetroNor has an option to pay a portion of the Share Consideration in cash.

The sale transaction is conditional upon execution and completion of the agreements between PetroNor and YFP, the authorisation of the Nigerian Department of Petroleum Resources and the consent of the Nigerian Minister of Petroleum Resources. As a result, the operations of the Group's Divested Subsidiaries have been classified as discontinued operations under IFRS 5. The results of the Nigerian segment for the comparative periods presented have also been carved out of the operating results and presented below as discontinued operations:

Q4 2018	Q3 2019	Q4 2019		2019	2018
<i>(Unaudited)</i>			<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	
			DISCONTINUED OPERATIONS		
2,207	-	1,745	Oil revenue	8,046	9,474
2,207	-	1,745	Total revenues	8,046	9,474
(2,401)	(830)	(2,507)	Operating costs	(7,525)	(7,577)
(28)	(35)	(52)	General and administrative costs	(143)	(143)
(1,087)	(694)	(455)	Depreciation, depletion and amortisation	(3,011)	(3,282)
-	-	8,000	(Impairment) / reversal of impairment for Oil and gas assets	8,000	-
(1,309)	(1,559)	6,730	EBIT - Operating income/(loss)	5,367	(1,528)
-	(113)	(108)	Interest costs net of income	(444)	(296)
(31)	(23)	(24)	Other financial costs net of income	(101)	(120)
(1,340)	(1,695)	6,598	Net income/(loss) before tax	4,822	(1,944)
-	-	-	Income tax benefit/(expense)	-	-
(1,340)	(1,695)	6,598	Net income/(loss) for the period from discontinued operations	4,822	(1,944)
EARNINGS PER SHARE					
(0.02)	(0.03)	0.10	Basic and diluted EPS on profit for the period attributable to equity holders of the parent (USD) from discontinued operations	0.07	(0.04)

Assets held for sale:

Following agreement to sell the Divested Subsidiaries, the Group's interest in such subsidiaries have also been designated as Assets held for sale as of 31 December 2019 which are summarised below:

Amounts in USD 000	Carrying amount after allocation of impairment reversal
	<i>(Unaudited)</i>
Assets held for sale	
Licence and exploration assets	12,179
Production assets and equipment	7,405
Crude oil inventory	1,294
Cash and cash equivalents	47
Total assets held for sale	20,925
Liabilities held for sale	
Decommissioning liability	(3,237)
Other non-current liabilities	(7,830)
Accounts payable, accruals and other liabilities	(99)
Aje Payable - Current portion	(5,209)
Total liabilities directly associated with assets classified as held for sale	(16,375)

At the date of designation for held for sale during 4Q 2019, an assessment was made to determine the fair value of the assets and liabilities of the Divested Subsidiaries. As a result, based on fair value less costs to sell principle, a reversal of historical impairment charges of USD 8 million on account of Aje has been made. The impairment reversal has been allocated in proportion of pre- reversal carrying value of licence and exploration assets and production assets and equipment.

6 EARNINGS PER SHARE

Basic earnings or loss per ordinary share amounts are calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares.

2018	2019	2019		2019	2018
<i>Unaudited</i>			<i>Amounts in USD 000, unless otherwise stated</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(1,509)	451	3,050	Net profit/(loss) attributable to equity holders - Total	10,247	(7,107)
(169)	2,146	(3,549)	Net profit/(loss) attributable to equity holders - Continuing operations	5,425	(5,163)
62,388	62,516	66,765	Weighted average number of shares outstanding - in thousands	63,523	43,491
62,388	63,395	67,644	Diluted weighted average number of shares outstanding - in thousands	64,402	43,491
(0.02)	0.01	0.05	Basic earnings per share (USD) - Total	0.16	(0.16)
(0.02)	0.01	0.05	Diluted earnings per share (USD) - Total	0.16	(0.16)
(0.00)	0.03	(0.05)	Basic earnings per share (USD) - Continuing operations	0.09	(0.12)
(0.00)	0.03	(0.05)	Diluted earnings per share (USD) - Continuing operations	0.08	(0.12)

At 31 December 2019, there were 878,808 potentially dilutive Restricted Share Units (RSUs) which are included in the calculation of diluted earnings per share (At 30 September 2019: 878,808 potentially dilutive RSUs).

7 LICENCE INTERESTS, EXPLORATION AND EVALUATION, DEVELOPMENT AND PRODUCTION ASSETS

	Licence interest, Exploration and Evaluation Assets	Production Rights	Development Assets	Production Assets
<i>USD 000</i>				
At 1 January 2019 (Audited)	15,197	31,082	632	41,612
Development assets additions / (disposals)	-	-	5,308	-
Adjustments to asset retirement estimates	-	-	-	770
Exploration and evaluation assets additions	3,622	-	-	-
Production assets additions / (disposals)	-	-	-	254
Impairment (charge)/reversal (Note 7.1 and 7.2)	13,120	-	-	3,025
Transfer to assets held for sale	(12,179)	-	-	(7,405)
Depreciation/write-off's during the period	-	(2,173)	(30)	(7,188)
Balance at 31 December 2019 (Unaudited)	19,760	28,909	5,910	31,068

At 1 January 2018 (Audited)	13,596	-	1,694	9,902
Development assets additions	-	-	14,024	-
Exploration and evaluation assets additions	1,601	-	-	-
Production assets transfers	-	-	(15,718)	15,718
Production assets additions	-	-	-	2,065
Depreciation/write-off's during the period	-	-	-	(3,458)
Additions through acquisitions	-	31,082	632	17,385
Balance at 31 December 2018 (Audited)	15,197	31,082	632	41,612

- 7.1 An impairment reversal of USD 8.1 million was recognized in Q2 2019 in relation to the Group's interest in the Dussafu permit, offshore Gabon. This resulted from a positive revision in economic evaluations including an independent reserves upgrade, which attribute higher recoverable amounts on both 1P and 2P profiles and the sanction of Phase II of the development. The total carrying value for Dussafu at 30 June 2019 (at the time such assessment), after taking into account the impairment reversal was USD 36.1 million. The net recoverable value was determined on a Value in Use ('VIU') basis using a discounted cash flow model, which exceeded the carrying value at 30 June 2019, even after taking into account the reversal. The reversal represents the entire eligible costs that had been impaired in previous years, adjusted for changes in the Group's ownership interest. Present value of projected cash flows over the economic life of the asset were adjusted to risks specific to the asset and discounted using a discount rate of 13.5%. This discount rate was derived from the Group's estimate of discount rates that might be applied by active market participants and adjusted, where applicable, to take into account any specific risks relating to the region where the asset is located. In determining VIU it is necessary to make a series of assumptions to estimate future cash flows including volumes, price assumption and cost estimates. Economically recoverable reserves and resources are based on NSAI and project plans based on Operator sourced information, supported by the evaluation work undertaken by appropriately qualified persons within the Joint Venture. The impairment test is most sensitive to the following assumptions; discount rates, oil and gas prices, reserve estimates and project risk. As of the date of the financial statements there is no expectation of possible changes in any of the above key assumptions that would cause the carrying value of the Dussafu asset to materially exceed its recoverable amount.
- 7.2 See Note 5 above for details of impairment reversal of USD 8 million in respect of the assets classified as held for sale as at 31 December 2019.

8 FAIR VALUE OF COMMODITY HEDGES

During Q4 2018, the Group initiated a commodity hedging program to strategically hedge a portion of its 2P oil reserves to protect against a fall in oil prices and consequently, to protect the Group's ability to service its debt obligations and to fund operations including planned capital expenditure. The hedge instruments used include "zero cost collars" and "commodity swap" contracts to protect the downside in 'Dated Brent' oil price. These hedge contracts are initially recognised at Nil fair value and then revalued at each balance sheet date, with changes in fair value recognised as finance income or expense in the Statement of Comprehensive Income.

The hedging program continues to be closely monitored and adjusted according to the Group's risk management policies and cashflow requirements. The Group continues to monitor and optimise its hedging programme on an on-going basis.

The outstanding commodity hedge contracts as at the respective balance sheet dates presented were as follows:

Zero cost collar instruments	Remaining term	Remaining contract amount	Average contract price	Average contract price	Fair value Asset / (Liability)	Fair value Asset / (Liability)
		Bbls	Buy Put (USD/Bbl)	Sell Call (USD/Bbl)	Current (USD '000)	Non-Current (USD '000)
At 31 December 2018 (audited)	Feb 19 - Dec 21	360,007	55	60.65	364	392
At 30 September 2019 (unaudited)	Oct 19 - Dec 21	547,722	55	61.32	271	696
At 31 December 2019 (unaudited)	Jan 20 - Dec 21	510,864	55	61.32	(888)	(106)

Commodity Swaps instruments	Remaining term	Remaining contract amount	Average contract price	Fair value Asset / (Liability)
		Bbls	Settlement price ceiling (USD/Bbl)	Current (USD '000)
At 31 December 2018 (audited)	-	-	-	-
At 30 September 2019 (unaudited)	-	-	-	-
At 31 December 2019 (unaudited)	Oct 19 - Dec 19	24,000	61.01	(86)

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 December 2019 amounted to USD 20.5 million compared to USD 10 million as at 30 September 2019 and USD 23.4 million as at 31 December 2018. In addition, the Group had USD 10 million (net to Panoro) of cash held for a bank guarantee issued towards SOEP drilling obligations, as described in Note 10 below.

10 CASH HELD FOR BANK GUARANTEE

During January 2019, the Tunisian Directorate General of Hydrocarbons advised that the Tunisian Consultative Hydrocarbons Committee had required Panoro Tunisia Exploration ("PTE", 60% owned by Panoro) to post a bank guarantee in relation to the drilling operations on SOEP, which will be released at successive operational stages commencing with the spudding of the well, on track during 2019. Accordingly, the Group procured a bank guarantee of USD 16.6 million (USD 10 million net to Panoro) through its group company, PTE. This amount is classified under current assets as at 31 December 2019 and 30 September 2019.

11 SHARE CAPITAL

As of 31 December 2019, the Company had a registered share capital of NOK 3,439,993 divided into 68,799,858 shares, each with a nominal value of NOK 0.05 (30 September 2019: NOK 3,128,055 divided into 62,561,098 shares, each with a nominal value of NOK 0.05 and 31 December 2018: NOK 3,119,380 divided into 62,387,600 shares, each with a nominal value of NOK 0.05).

On 22 October 2019 the Company completed a private placement of NOK 149 million (USD 16 million) of new equity.

12 LOANS AND BORROWINGS – MERCURIA SENIOR SECURED LOAN

Current and non-current portion of the outstanding balance of the Mercuria Senior Secured facility as of the date of the statement of financial position attributable to Panoro's 60% ownership is as follows:

	31 December 2019	30 September 2019	31 December 2018
<i>USD 000</i>	<i>(Unaudited)</i>		<i>(Audited)</i>
Senior Loan facility - Non-current	13,380	14,100	13,560
Senior Loan facility - Current	3,600	3,900	2,640
Accumulated interest accrued - Current	352	383	66
Total Senior Loan facility	17,332	18,383	16,266
Unamortised borrowing costs - Non-current	(289)	(326)	(369)
Unamortised borrowing costs - Current	(155)	(160)	(101)
Total Unamortised borrowing costs	(444)	(486)	(470)
Total Senior Loan facility	16,888	17,897	15,796

The amended Senior Loan facility has a term of 5 years from 30 June 2019 with interest charged at USD 3-month LIBOR plus 6% on the balance outstanding, with repayments due each quarter.

Key financial covenants are required to be tested at the end of every 3-month period. These covenants, applicable at levels of the borrower group as defined in the loan documentation, include the following:

- (i) Field life coverage ratio: 1.50x
- (ii) Minimum cash balance of USD 2.1 million to be maintained at all times in the collection account of Panoro TPS Production GmbH (USD 3.5 million gross)
- (iii) Debt service coverage ratio: between 1.15x and 1.25x subject to specifications in the loan agreement.
- (iv) Liquidity Test: Customary to the loan instrument.

Un-amortised borrowing costs include structuring fees and directly attributable third-party costs. These costs are expensed using an effective interest rate of 9.8% per annum over the term of the remaining term of the facility (effective interest rate 30 September 2019: 9.8%; 31 December 2018: 10.2%).

13 LOANS AND BORROWINGS - BW ENERGY NON-RECOURSE LOAN

The Group has in place a non-recourse loan from BW Energy in relation to the funding of the Dussafu development. The loan bears interest at 7.5% per annum on outstanding balance, compounded annually. The balance outstanding at each balance sheet date presented is as below:

	31 December 2019	30 September 2019	31 December 2018
<i>USD 000</i>	<i>(Unaudited)</i>		<i>(Audited)</i>
BW Energy non-recourse loan - Non-current	3,380	5,196	9,392
BW Energy non-recourse loan - Current	3,368	1,551	3,108
Accumulated interest accrued - Current	1,361	1,219	643
Total carrying value	8,109	7,966	13,143

The loan is repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses and as such the loan is classified into short-term and long-term liabilities in reported quarters based on expected field production and lifting schedule. During the repayment phase, Panoro is still entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations.

14 DECOMMISSIONING LIABILITY

In accordance with the agreements and legislation, the wellheads, production assets, pipelines and other installations may have to be dismantled and removed from oil and natural gas fields when the production ceases. The following table presents amounts of the estimated obligations associated with the retirement of oil and natural gas properties:

USD 000	Tunisia	Gabon	Nigeria	Total
At 1 January 2019 (Audited)	17,049	1,531	2,159	20,739
Recognised during the period	-	-	-	-
Unwinding of discount	479	163	102	744
Change in inflation and discount rate (estimate)	(645)	440	976	771
Change in cost estimate	-	78	-	78
Transferred to held for sale (Note 5)	-	-	(3,237)	(3,237)
Balance at 31 December 2019 (Unaudited)	16,883	2,212	-	19,095

At 1 January 2018 (Audited)	-	-	2,039	2,039
Recognised during the period	-	1,509	-	1,509
Unwinding of discount	-	22	120	142
Acquired during the year through business combination	17,049	-	-	17,049
Balance at 31 December 2018 (Audited)	17,049	1,531	2,159	20,739

All amounts are classified as Non-Current. The exact timing of the obligations is uncertain and depends on the rate the reserves of the field are depleted. However, based on the existing production profile of the assets, the following assumptions have been applied in order to calculate the liability:

Nigeria and Gabon:

It is expected that expenditure on retirement is likely to be after more than ten years. The current bases for the provision at 31 December 2019 and 30 September 2019 are a discount rate of 3% and an inflation rate of 2% (31 December 2018: 5.9% and 1.5% respectively). As disclosed in Note 5, the Nigerian asset for the Group is now designated as Discontinued operation and an asset held for sale.

Tunisia:

A total decommissioning liability of USD 17 million (USD 28 million gross) was acquired as part of the OMV transaction in December 2018. The liability was stated at fair value on the balance sheet as at 31 December 2018. The current bases for the provision at 31 December 2019 and 30 September 2019 are a discount rate of 3% and an inflation rate of 2%.

15 INCOME TAX

Corporation tax charge for the respective quarters presented is split as follows:

Q4 2018	Q3 2019	Q4 2019		2019 (Unaudited)	2018 (Audited)
<i>Unaudited</i>			<i>Amounts in USD 000, unless otherwise stated</i>		
877	1,301	-	Effect of taxes under PSA arrangements - Gabon	5,222	877
-	2,879	2,625	Current income tax charge - Tunisia	8,542	-
-	-	38	Other Corporate	45	-
-	(539)	-	Deferred tax charge/(credit)	-	-
877	3,641	2,663	Total tax charge	13,809	877

Corporation tax liability at 31 December 2019 of USD 6 million compared to USD 5.6 million at 30 September and USD 5.8 million at 31 December 2018, comprised entirely of taxes due on income from TPS assets.

16 SUBSEQUENT EVENTS

On 25 February 2020, Panoro Energy ASA signed a Farm Out Agreement (“FOA”) with a subsidiary of Africa Energy Corp. (“AEC”), part of the Lundin Group of Companies, which entails a wholly-owned subsidiary of Panoro acquiring a 12.5% interest in Block 2B located in the Orange Basin, offshore the west coast of South Africa. Completion of the FOA is subject to consent of the Minister of Minerals and Energy of South Africa and the Azinam farm-out becoming effective; the approval process is anticipated to take approximately 6 months. The Block 2B Exploration Right is in the second exploration period, and an application has been filed for entry into the third two-year period, which includes a proposed commitment to drill one well.

Under the terms of the FOA, Panoro will acquire a 12.5% interest and carry the AEC subsidiary for up to \$2.5 million of the well cost. The well is expected to be spud as early as Q4 2020 depending on regulatory approvals and rig availability. Panoro’s total share of drilling costs including the AEC carry is estimated at approximately \$5 million, which will be funded from existing financial resources. Separately, AEC has announced a farm-out whereby Azinam Limited will take a 50% share and operatorship in Block 2B.

OTHER INFORMATION

GLOSSARY AND DEFINITIONS

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bopd	Bopd
Bcf	Billion cubic feet
Bm³	Billion cubic meter
BOE	Barrel of oil equivalent
Btu	British Thermal Units, the energy content needed to heat one pint of water by one degree Fahrenheit
IP	Initial production
Mcf	Thousand cubic feet
MMcf	Million cubic feet
MMbbl	Million barrels of oil
MMboe	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm³	Million cubic meters
Tcf	Trillion cubic feet
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EBIT	Earnings before Interest and Taxes
TVDSS	True Vertical Depth Subsea

DISCLAIMER

This report does not constitute an offer to buy or sell shares or other financial instruments of Panoro Energy ASA (“Company”). This report 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 report, and we undertake no obligation to update or revise any of this information.



Panoro Energy

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