

Panoro Energy divests its Brazilian subsidiary Rio das Contas for USD 140 million plus contingent earn-out

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

The transaction comprises a divestment of all shares in Rio das Contas Produtora de Petróleo Ltda ("Rio das Contas") to GeoPark Brasil Ltda ("GeoPark"), which is a wholly-owned subsidiary of the independent oil and gas company GeoPark Holdings Ltd.

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

Panoro Energy's CEO Jan Kielland comments: "The divestment will significantly strengthen Panoro Energy's financial flexibility and create a sound base for future growth. Also, I am convinced that GeoPark will be a great owner of Rio das Contas".

The closing of the transaction will, amongst other conditions, depend on approval by the Brazilian regulatory authority ANP which can be anticipated within a 4-9 month timeframe. Depending on the timing of the ANP approval, it is expected that the sale of Rio das Contas will generate limited or no capital gains tax for Panoro Energy.

Panoro Energy and GeoPark have both given parent companies guaranties for their respective obligations under the SPA. If the transaction has not been closed within nine months from the signing of the SPA (May 14, 2013), each of the parties are entitled to terminate the agreement, unless GeoPark exercises its right to extend the closing deadline by an additional three months. Such extension must be exercised five business days prior to the deadline.

Rio das Contas is a limited liability company established under the laws of Brazil. The company was incorporated on March 28, 2005 and the business of the company is to participate in exploration, development or production of oil and natural gas on the BCAM-40 Block.

The Transaction is expected to generate a net gain for Panoro Energy which will be accounted for in the Financial Statements of Panoro Energy ASA upon closing of the Transaction. The final amount will depend on the future earn-out.

The closing of the Transaction will trigger a mandatory redemption of Panoro Energy's outstanding USD and NOK bond tranches (PEN 01 PRO and PEN 02 PRO), totaling USD 126.2 million as of December 31, 2012. The redemption price for the bonds will either be equal to 108% of par value plus accrued interest, if closing occurs prior to November 15, 2013 or equal to 106% of par value plus accrued interest if closing occurs on or after November 15, 2013. Closing of the Transaction and mandatory redemption is conditional inter alia on the receipt of the ANP approval. ANP's process will include a technical and legal approval of GeoPark before submittal to ANP's board for final approval of the assignment.

Based on a recent report submitted by Gaffney, Cline & Associates the Manati asset includes 1P reserves net to Panoro of 10.7 million barrels of oil equivalents (mmboe), 2P reserves of 11.4 mmboe, and 3P reserves of 13.5 mmboe. This is an increase of 0.9 mmboe in 1P from the Annual Statement of Reserves submitted earlier this year and reflects new reservoir pressure data not considered in the Gaffney Cline & Associates report on which the filed Annual Statement of Reserves was based. Remaining reserves in Panoro Energy after closing of the Transaction are currently estimated at 1P of 0.5 mmboe, 2P of 0.8 mmboe and 3P of 1.1 mmboe.

After this Transaction Panoro Energy's new 2C Contingent Resources total 121.5 million boe.

The Transaction is in line with the priority of the Board of Directors of Panoro Energy to strengthen the financial position through asset divestments. Subsequent to the Transaction, the Company's only remaining asset in Brazil will be the interest in the BS-3 assets which Panoro Energy has previously announced that it will be seeking partners for or alternatively seek to divest. Panoro Energy has also disclosed that sales processes are ongoing for its assets in West Africa, with the notable exception of its interest in the Dussafu license in Gabon. This work continues unabated.

The closing of the Transaction will leave the Company debt free and other potential asset divestments will be expected to result in the Company holding a significant net cash position which will provide substantial flexibility for the future.

Apart from the agreements described above, no agreements have been entered into with shareholders in Panoro Energy ASA or GeoPark Holding, Boards of Directors or senior management in connection with the transaction, or are expected to be entered into in connection with the Transaction.

An Information Memorandum will be filed with the Oslo Stock Exchange in accordance with the Oslo Stock Exchange Continuing Obligations Chapter 3.5, to provide further details on the Transaction. Such document will be made public within 30 trading days after the execution of the SPA.

Further information regarding the Transaction will also be provided at Panoro Energy's presentation of the financial results for the first quarter 2013 presentation on May 15, 2013, which will be broadcasted live on our website www.panoroenergy.com at 08:30 am CET.

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Please visit www.panoroenergy.com for more information.

Appendix

The below table shows key figures from the balance sheet and profit and loss account for Rio das Contas for the fiscal years 2010 to 2012:

Rio das Contas Balance in thousands of US\$	2012	2011	2010
Profit & Loss			
Oil and Gas Net Revenues	45 939	34 897	44 103
Production costs	-5 557	-7 824	-5 160
Exploration related costs	0	-16	-205
General and Admin costs	-3 175	-2 480	-2 672
EBITDA	37 207	24 577	36 066
Depreciation	-7 436	-5 530	-8 366
Impairment	0	0	-165
Net interest income/costs	1 499	-431	-12 214
Net foreign exchange gain/loss	-468	-2 724	987
Income tax expense	-7 569	-2 224	-4 406
Net income/loss for the period	23 233	13 668	11 902
Balance sheet			
	2012	2011	2010
Licenses and production assets	73 066	97 371	114 134
Other non-current assets	2 993	2 059	3 296
Trade and other receivables	11 256	10 254	17 991
Cash and bank balances	9 614	16 891	8 159
Total assets	96 929	126 575	143 580
Total equity	86 132	96 137	107 308
Non-current interest bearing debt	0	0	0
Other non-current liabilities	6 625	21 033	28 101
Accounts payables and	4 172	9 405	8 171

accrued liabilities			
Current interest bearing debt	0	0	0
Total liabilities	10 797	30 438	36 272
Total equity and liabilities	96 929	126 575	143 580