



Panoro Energy

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# FIRST QUARTER REPORT 2019

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23 May 2019

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# HIGHLIGHTS AND EVENTS

## FIRST QUARTER 2019 HIGHLIGHTS AND SUBSEQUENT EVENTS

### Highlights

- Gross Revenue for the first quarter 2019 of USD 19.9 million and strong EBITDA of USD 11.3 million
- Underlying operating profit before tax<sup>(1)</sup> of USD 7.8 million on an adjusted basis compared to reporting basis net income before tax of USD 3.5 million
- Q1 net group production (prior to royalty and tax) of approximately 2,600 bopd, a 6-fold increase in net production from Q1 2018 to Q1 2019
- Cash balances, including cash held for bank guarantee for Sfax Offshore Exploration Permit (SOEP), at USD 18.1 million and debt of USD 28.2 million

### Tunisia

- Current TPS gross daily production of approximately 4,300 bopd, initial progress made towards near term objective of increasing production by 15-20% during Q3 2019
- At TPS, targeting gross production of 5,000 bopd by the end of 2019, with additional production opportunities identified
- On-going discussions with Tunisian authorities in relation to drilling at SOEP, with Salloum West exploration prospect proposed to be drilled during Q4 2019

### Dussafu

- Q1 average gross production rate over 12,500 bopd
- Current average gross production in excess of 12,000 bopd
- Tortue field gross 2P reserves increased by approximately 50% to 35.1 MMbbls
- Phase 2 planning activities advanced with drilling of development and exploration wells due to commence in July 2019
- Hibiscus Updip prospect selected as first exploration well of the campaign

### Aje

- Stable oil production at approximately 400 bopd net to Panoro during Q1 2019
- JV partners continue to focus on advancing the Turonian development plan

<sup>1</sup> Non-GAAP Financial Measures

As of the first quarter 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 definition and details of this Non-GAAP measure can be referred to on page 7 of the first quarter, 2019 report.

# OPERATIONAL UPDATE

## 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 represents the Company’s 60% interest, unless otherwise stated.

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

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

Panoro is currently working closely with its partner Entreprise Tunisienne D’Activites Petrolieres (“ETAP”) regarding the technical programme and the formalisation of drilling plans including the well planning, location and approvals for drilling and testing.

The primary target of the SAMW-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 SAMW-1 well is to prove up additional resources in the vicinity of the Salloum-1 well and to aggregate them in order to fast-track the development of Salloum through a tie-in to existing adjacent oil infrastructure.

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

Production from the TPS assets during the first quarter was equivalent to an average rate of 3,930 bopd gross. Current production rates remain strong and are approximately 4,300 bopd.

Activities undertaken on the fields during the quarter included planning for re-start of production from the El Ain field, located in the Gremda concession, which has been shut in for over a year pending a new concession. The plan includes workovers of the two existing wells on the field to install new pumps. Plans are also being made to enhance production at the Guebiba field where a sidetrack and two additional workovers are being considered alongside an enhanced water injection program.

Panoro believes the near-term opportunities could provide a significant production uplift of up to 15-20% by Q3 2019 compared to the approximately 4,000 bopd gross averaged during December 2018. By year end 2019 we now target gross production from the TPS assets of 5,000 bopd. Initial progress has seen recent production increased to approximately 4,300 bopd.

There was one large international and two smaller domestic liftings from the TPS assets for the Company during Q1 2019 of 118,490 barrels net to Panoro. Q2 lifting schedule is anticipated to only include 2 domestic liftings of approximately 27,000 barrels net to Panoro.

### 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 associated costs of approximately USD 2 million as previously indicated (USD 1.2 million net to Panoro).

## GABON

### Dussafu Marin: BW Energy (Operator), Panoro Energy (8.3333% interest)

Production from the Tortue field continued from the DTM-2H and DTM-3H wells during the quarter at an average gross rate of over 12,500 bopd. This compares to an average gross rate of 11,960 bopd in fourth quarter, 2018. Two liftings of approximately 650,000 barrels each were completed in the quarter in late January and late March. One lifting of similar size is anticipated during Q2.

Post period end the production rates from Tortue have continued to exceed initial expectations and remained strong in April and May 2019 at an average gross rate of over 12,000 bopd.

The Phase 2 of development at the Tortue field is underway and will consist of an additional four subsea horizontal oil development wells. Three of the development wells will be drilled in the Gamba reservoir with one well in the Dentale D6 reservoir. This drilling campaign will be carried out in the second half of 2019 and conclude in early 2020. We expect production from these additional wells to come online in 2020 and the Operator estimates the total production at that time will be in the range of 15,000 to 25,000 barrels of oil per day.

Prior to the Phase 2 development drilling, an exploration well will be drilled on the Hibiscus Updip prospect. We expect the rig for this well to be mobilised in July 2019. The Hibiscus Updip prospect is mapped as a four-way closure at the Gamba level. The Operator has estimated that this structure may contain recoverable volumes of the same magnitude as the Ruche, Ruche NE and Tortue discoveries previously drilled using 3D seismic. The well will be drilled to the southwest of the HIBM-1 exploration well which was drilled by Arco in 1991 using 2D seismic. The HIBM-1 well found oil in core samples and good reservoir quality with dipmeter data indicating a higher structure to the southwest.

Following the development drilling a further exploration well is planned in early 2020. Candidate locations for this well include Prospect B to the south which is a large Dentale closure and the Espadon prospect to the north of the Ruche NE discovery which has closure at Gamba and Dentale levels. The JV partners are currently re-processing the 3D seismic data covering the Dussafu block and will use this new data to help select the prospect location and also better define the Dussafu Phase 3 development. Additional exploration drilling may be carried out in 2020 depending on the results of the re-processing and Phase 2 drilling.

The concept selection work for Phase 3 at Dussafu progressed during the quarter. Dussafu Phase 3 will consist of development of the Ruche and Ruche NE fields which are likely to be tied back to the BW Adolo FPSO stationed at Tortue.

Furthermore, as previously indicated, Tullow has confirmed their intent to exercise the 10% back-in right into the Dussafu license as stipulated in the production sharing contract ("PSC"). Tullow will be required to pay a portion of past costs and, following completion of this back-in, Panoro's interest in the Dussafu Marin license will be 7.5%.

## NIGERIA

### 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)

The Aje field produced an average of 383 bopd net to Panoro during the quarter, and this compares to 368 bopd net in Q4 2018. 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 March 2019 and the next lifting is anticipated for Q2 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 Field Development Plan ("FDP").

Q1 2019 was a strong quarter in terms of revenue due to a large number of liftings in the period. It should be noted that lifting scheduling across the various production assets will vary and as such, due to revenue recognition accounting standards, uneven quarterly financial results are to be expected despite stable operational performance.

As of 31 March 2019, the Group's total debt was USD 28.2 million and was compliant with all covenants. The Group closed this quarter with a cash position of USD 18.1 million, including USD 10 million held for the SOEP guarantee. Following first oil from Dussafu, the debt repayments of the non-recourse loan have started with USD 1.7 million being repaid in the quarter. The first instalment of the Mercuria Senior Loan was made in April 2019.

As previously stated, the Group has initiated a commodity hedging programme to strategically hedge approximately 10% 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 and planned capital expenditure. This equates to approximately 600 bopd, representing approximately 25% of current production, hedged over a three-year period using "zero cost collars" to protect the downside in 'Dated Brent' oil price of below USD 55 per bbl. The hedging programme continues to be closely monitored and adjusted according to the Group's risk management policies and cashflow requirements. The initial hedging programme was executed in late 2018 and January 2019. The Group will continue to monitor and optimise its hedging programme on an on-going basis.

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 5, following 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.

From the first quarter 2019 first quarter 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. A reconciliation with adjustments to arrive at the Underlying Operating Profit/(Loss) before tax is included in the table below.

	Q1 2019	Q4 2018	Q1 2018
<i>Amounts in USD 000</i>			
		<i>(Unaudited)</i>	
Net income/(loss) before tax	3,528	(632)	(2,270)
Share based payment	166	168	51
Non-recurring costs	-	331	95
Unrealised (gain)/loss on commodity hedges	4,087	(756)	-
<b>Underlying Operating Profit/(Loss) before tax</b>	<b>7,781</b>	<b>(889)</b>	<b>(2,124)</b>

*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) before tax adjusted for (i) Share based payment charges, (ii) unrealized (gain) loss on commodity hedges (realized losses are deducted and realized gains are added back), (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.*

### First quarter 2019 versus fourth quarter 2018

Panoro Energy reported EBITDA of USD 11.3 million for the first quarter of 2019, compared to USD 0.7 million in the fourth quarter, 2018. Improvement in EBITDA in the first quarter is primarily driven by higher oil sales revenues due to multiple liftings across the Group's assets. First quarter 2019 also represent the first period where the Group consolidates operational results of its Tunisian producing assets acquired in December 2018. 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 to quarter in spite of normal operational performance.

Revenue in the first quarter of 2019 was USD 19.9 million compared to USD 5.7 million in the fourth quarter of 2018. This includes USD 17.5 million of oil sales revenue (fourth quarter 2018: USD 4.8 million) and USD 2.4 million of other revenue (fourth quarter 2018: USD 0.9 million) that relates to the gross-up of the State profit oil allocation under Dussafu PSC as discussed in the paragraph below. The higher oil sales revenue is a direct result of higher sales volumes comprising of 283,360 barrels (fourth quarter 2018: 83,485 barrels), and higher oil prices realised in the period. Of this total, USD 7.3 million is from two liftings from Dussafu (fourth quarter 2018: USD 2.6 million from one lifting) and USD 3.3 million generated through a single lifting from Aje field (fourth quarter 2018: USD 2.2 million from one lifting). As noted above, first quarter 2019 also represents the first period for which the Group consolidates operational results for its Tunisian assets. Total oil sales revenue recognised in the quarter for the

Group's Tunisian assets was USD 6.9 million comprising one international lifting of USD 5.5 million and two domestic liftings by the state on behalf of Panoro, contributing USD 1.4 million.

Other revenue for the first quarter, 2019 was USD 2.4 million compared to USD 0.9 million in the fourth quarter, 2018. This represents the State profit oil under the terms of the Dussafu PSC, with a corresponding amount shown as Income tax for both periods presented. This presentation is consistent with oil and gas reporting standards.

Costs attributed to operations were USD 5.4 million for Aje and Dussafu in the first quarter, 2019 compared to USD 3.4 million in the previous quarter. Costs attributed to the operations of the Groups' Tunisian assets in the first quarter, 2019 were USD 1.7 million.

General and Administrative costs were USD 1.4 million for the current quarter, compared to USD 1.1 million for the previous quarter. The increase in G&A is primarily due to higher costs after consolidating Tunisian operations and addition of new staff members in the Group to cater for larger operations. There are no non-recurring transaction costs in the first quarter 2019, compared to USD 0.3 million in the previous quarter which primarily related to acquisition projects which were expensed as incurred.

Exploration related costs decreased from USD 130 thousand for the fourth quarter, 2018 to USD 114 thousand in the current quarter.

Depreciation charge for the first quarter, 2019 is USD 2.4 million compared to USD 1.3 million in the fourth quarter, 2018, an increase of USD 1.1 million. The quarter-on-quarter increase predominantly relates to depreciation charge for the Group's Tunisian assets of USD 0.8 million. EBIT in the first quarter of 2019 is thus a positive of USD 8.7 million compared to negative USD 0.7 million in the fourth quarter, 2018.

Profit before tax for the first quarter, 2019 was USD 3.5 million compared to a loss in the previous quarter of USD 0.6 million. Panoro Energy reported a net loss of USD 1.5 million from operations for the first quarter, 2019 which compared to USD 1.5 million loss for the fourth quarter, 2018. Underlying Operating Profit before tax for the first quarter, 2019 was USD 7.8 million compared to an Underlying Operating Loss before tax of USD 0.9 million for the fourth quarter, 2018.

The net loss after tax is unchanged between the two quarters presented, despite higher revenues and higher EBITDA primarily due to non-cash unrealised losses on fair value of commodity hedges of USD 4.1 million. This compares to a non-cash unrealised gain on fair value of USD 0.8 million in the fourth quarter, 2018. Corporation taxes increased by USD 4.2 million, from USD 0.9 million for the fourth quarter, 2018 to USD 5 million for the first quarter, 2019. The tax charge for the first quarter, 2019 includes USD 2.4 million representing State profit oil under the terms of the Dussafu PSC and USD 2.6 million for taxes on profits for the Group's Tunisian Operations.

Net financial items amount to an expense of USD 1.2 million in the first quarter, 2019 compared to USD 117 thousand in the fourth quarter, 2018, a quarter-on-quarter increase of USD 1.1 million. The main driver of this increase is the charge of USD 0.5 million of interest relating the Dussafu non-recourse loan now expensed following commencement of Phase 2. Loan interest for the Mercuria Senior Secured loan in the first quarter, 2019 is USD 0.4 million compared to only USD 67 thousand in the previous quarter. Also included in net financial items for the first quarter, 2019 is the charge for unwinding of discount on decommissioning provisions of USD 0.2 million.

### First quarter 2019 versus first quarter 2018

Panoro Energy reported positive EBITDA of USD 11.3 million for the first quarter of 2019, compared to negative USD 1.2 million in the first quarter, 2018. As noted above, the first quarter of 2019 includes higher oil and gas revenues due to multiple liftings across the Group's assets. First quarter 2019 also represents the first period where the Group consolidates operational results of its Tunisian producing assets acquired in December 2018.

Oil revenue in the first quarter of 2019 was USD 17.5 million. The higher revenue is a direct result of higher sales volumes comprising of 283,360 barrels (first quarter 2018: nil), and higher oil prices realised in the period. Of this total, USD 7.3 million is from two liftings from Dussafu and USD 3.3 million generated through a single lifting from Aje field. Total oil revenue recognised in the quarter for the Group's Tunisian assets was USD 6.9 million comprising one international lifting of USD 5.5 million and two domestic liftings by the state on behalf of Panoro, contributing USD 1.4 million. There were no liftings in the first quarter, 2018.

Costs attributed to operations are USD 5.4 million for Aje and Dussafu in the first quarter, 2019. Costs attributed to the operations of the Groups' Tunisian assets in the first quarter, 2019 are USD 1.7 million. There were no operating costs recognised in first quarter, 2018 as there were no sales in the quarter. Operating costs incurred during this quarter were capitalised in the cost of inventory and expensed at the time of the sale of inventory volumes.

G&A costs are higher at USD 1.4 million in the first quarter, 2019, compared to USD 1.1 million in the first quarter, 2018. There are no non-recurring transaction costs in the first quarter, 2019 compared to USD 95 thousand in first quarter, 2018 relating to the Aje dispute.

Exploration related costs increased from USD 43 thousand for the first quarter, 2018 to USD 114 thousand in the current quarter.

Depreciation charge for the first quarter, 2019 is USD 2.4 million compared to USD 0.9 million in first quarter, 2018, an increase of USD 1.5 million. First quarter, 2018 included depreciation on only one of the Group's asset, Aje. First quarter, 2019 includes depreciation charge of USD 0.8 million for the Group's Tunisian assets, USD 0.9 million for Aje and USD 0.6 million for Dussafu.

EBIT in the first quarter of 2019 is thus a positive of USD 8.7 million compared to negative USD 2.1 million in the first quarter, 2018.

Net financial items amount to an expense of USD 1.2 million in the first quarter, 2019 compared to USD 117 thousand in the first quarter, 2018, an increase of USD 1.1 million. The main driver of this increase is the charge of USD 0.5 million of interest relating the Dussafu non-recourse loan now expensed following commencement of Phase 2. The interest costs relating to this loan were capitalised during first quarter, 2018. Loan interest for the Mercuria Senior Secured loan in the first quarter, 2019 is USD 0.4 million. The Mercuria facility was not in place in the first quarter, 2018. Also included in net financial items for the first quarter, 2019 is the charge for unwinding of discount on decommissioning provisions of USD 0.2 million compared to USD 0.1 million in first quarter, 2018.

Profit before tax for the first quarter, 2019 was USD 3.5 million compared to a loss of USD 2.3 million in first quarter, 2018. Corporation taxes of USD 5 million in the first quarter, 2019 compare to USD nil for first quarter, 2018. The tax charge for the first quarter, 2019 includes USD 2.4 million representing State profit oil under the terms of the Dussafu PSC and USD 2.6 million for taxes on profits for the Group's Tunisian Operations. Underlying Operating Profit before tax for the first quarter, 2019 was USD 7.8 million compared to an Underlying Operating Loss before tax of USD 2.1 million for the first quarter, 2018.

Net loss after tax for the period was therefore USD 1.5 million for the first quarter, 2019 compared to a net loss after tax of USD 2.3 million for first quarter, 2018.

## STATEMENT OF FINANCIAL POSITION REVIEW

As noted on page 5, following the shareholder agreement with Beender, Panoro's investment in Sfax Corp is now 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.

### Movements to 31 March 2019 from 31 December 2018

Movements in the Group statement of financial position during the first quarter of 2019 were a combination of the following:

#### Non-current assets

Non-current assets amount to USD 89.7 million at 31 March 2019, an increase of 0.4 million from the balance at 31 December 2018 of USD 89.3 million. Capital additions to the Group's oil and gas assets in the first quarter, 2019 are USD 2.9 million, which are partially offset by depreciation on these assets of USD 2.3 million. In addition, as a result of adoption of IFRS 16 Leases from 1 January 2019, the Group has included USD 0.2 million as "Right-of-use" assets within Property, furniture, fixtures and equipment. These relate to the office lease for the Group's London office, previously not recognised on the balance sheet and treated as an operating lease.

#### Current asset

Current assets amount to USD 37 million as of 31 March 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 1.1 million at 31 March 2019, owing to higher sale volumes in the quarter. The current portion of the asset representing fair value of hedges as at 31 December 2018 was USD 0.4 million. The fair value of these instruments at 31 March 2019 is a liability position. Trade and other receivables at 31 March 2019 are USD 13.3 million, an increase of USD 7.7 million from USD 5.6 million at 31 December 2018, as a result of the multiple oil liftings across the Group's assets. The Group is committed to a drilling obligation of 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), placed in January 2019 and is included within current assets at 31 March 2019. There was no corresponding balance at 31 December 2018.

Consequently, cash and cash equivalents stood at USD 8.1 million compared to USD 23.4 million at 31 December 2018. The decline in cash and cash equivalents is mainly due to USD 10 million of cash held under current assets earmarked for SOEP drilling obligation guarantee and capital commitments across the Group's assets.

#### Equity

Equity as at 31 March 2019 amounts to USD 45 million compared to USD 46.3 million at the end of December 2018.

#### Non-current liabilities

Total non-current liabilities are USD 57.7 million as at 31 March 2019 and these compare to the total non-current liabilities at 31 December 2018 of USD 55.9 million, an increase of USD 1.8 million.

Decommissioning liabilities increased by USD 1 million as a result of a change in estimates used to calculate these provisions. See Note 13 for more details. Also included in the non-current liabilities at 31 March 2019 is the non-current portion of fair value of hedge instruments amounting to USD 1.8 million (31 December 2018: USD nil). These increases are offset by a decrease of USD 1 million in the non-current portion of the non-recourse loan from BW Energy.

#### Current liabilities

Current liabilities amounted to USD 24.9 million at 31 March 2019, compared to USD 22.8 million at the end of December 2018, an increase of USD 2.1 million.

USD 3.3 million reflects the current portion of the Dussafu non-recourse loan (31 December 2018: USD 3.8 million), USD 2.9 million is the current portion of the Mercuria Senior Loan facility (31 December 2018: USD 2.5 million) and USD 8.3 million of corporation tax liabilities (31 December 2018: USD 5.8 million). Corporation tax liabilities relate primarily to taxes due on income from TPS Assets for both periods presented.

Accruals and other payable amounted to USD 5.4 million at 31 March 2019, a decrease of USD 2.1 million.

Since the settlement of the Aje dispute (as described in Q4 2017 report), the Company has performed a review of historical costs incurred and recognised the liabilities associated with such expenditures in the balance sheet. The proportionate joint venture liabilities resulting from the workover and side-tracks at Aje-5 had been higher than anticipated and in combination with the operation accruals and the inclusion of the cost of the OML 113 20-year license renewal have resulted in proportional liabilities of USD 4.6 million as at 31 March 2019 compared to USD 5.8 million as of 31 December 2018. The liability continues to reduce through the allocation of excess funds from Aje liftings. Such liabilities continue to be current in nature and are expected to be repaid within 12 months.

## OUTLOOK

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- At least 7 new wells to be drilled in the next 15 months, including three exploration wells
- Progress Dussafu Phase 2 and exploration drilling
- Identify and implement production enhancing activities on the TPS Assets, including El Ain re-start and Guebibda workovers and sidetrack
- Continue to consider forward path for Aje
- Continue to review growth opportunities

### THE BOARD OF DIRECTORS

JULIEN BALKANY	GARRETT SODEN	TORSTEIN SANNESS
Chairman of the Board	Non-Executive Director	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 PERIOD ENDED 31 MARCH 2019

<i>Amounts in USD 000, unless stated otherwise</i>	Note	Q1 2019	Q4 2018	Q1 2018
<i>(Unaudited)</i>				
<b>CONTINUING OPERATIONS</b>				
Oil revenue		17,490	4,823	-
Other revenue		2,442	877	-
<b>Total revenues</b>		<b>19,932</b>	<b>5,700</b>	
Operating costs		(7,143)	(3,419)	-
Exploration related costs		(114)	(130)	(43)
General and administrative costs	4	(1,402)	(1,109)	(1,084)
Non-recurring costs	4	-	(331)	(95)
<b>EBITDA</b>		<b>11,273</b>	<b>711</b>	<b>(1,222)</b>
Depreciation, depletion and amortisation		(2,390)	(1,259)	(872)
Impairment/(reversal) of impairment of assets		-	-	-
Share based payments		(166)	(168)	(51)
<b>EBIT - Operating income/(loss)</b>		<b>8,717</b>	<b>(716)</b>	<b>(2,145)</b>
Interest costs net of income		(951)	(59)	(83)
Unrealised gain/(loss) on commodity hedges	7	(4,087)	756	-
Realised gain/(loss) on commodity hedges		(96)	-	-
Other financial costs net of income		(272)	(58)	(34)
Net foreign exchange gain/(loss)		217	(555)	(8)
<b>Net income/(loss) before tax</b>		<b>3,528</b>	<b>(632)</b>	<b>(2,270)</b>
Income tax (expense)/benefit	15	(5,051)	(877)	-
<b>Net income/(loss) for the period</b>		<b>(1,523)</b>	<b>(1,509)</b>	<b>(2,270)</b>
Exchange differences arising from translation of foreign operations		-	-	-
<b>Other comprehensive income/(loss) for the period (net of tax)</b>		<b>-</b>	<b>-</b>	<b>(3)</b>
<b>Total comprehensive income/(loss) for the period (net of tax)</b>		<b>(1,523)</b>	<b>(1,509)</b>	<b>(2,273)</b>
<b>NET INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Equity holders of the parent		(1,523)	(1,509)	(2,270)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:</b>				
Equity holders of the parent		(1,523)	(1,509)	(2,273)
<b>EARNINGS PER SHARE</b>				
(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent	5	(0.02)	(0.03)	(0.05)

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

<i>Amounts in USD 000</i>	Note	31 March 2019	31 December 2018
		(Unaudited)	(Audited)
Licenses and exploration assets	6	15,344	15,197
Production rights	6	30,522	31,082
Fair value of commodity hedges	7	-	392
Investment in associates and joint ventures		38	38
Production assets and equipment	6	42,646	41,612
Development assets	6	608	632
Property, furniture, fixtures and office equipment		350	134
Other non-current assets		238	245
<b>Total Non-current assets</b>		<b>89,746</b>	<b>89,332</b>
Crude Oil Inventory		1,083	2,255
Materials Inventory		4,360	4,086
Trade and other receivables		13,290	5,577
Fair value of Commodity Hedges	7	-	364
Deferred tax assets		34	-
Cash and cash equivalents	8	8,143	23,367
Cash held for bank guarantee	9	9,960	-
Restricted cash		73	76
<b>Total current assets</b>		<b>36,943</b>	<b>35,725</b>
<b>Total Assets</b>		<b>126,689</b>	<b>125,057</b>
Share capital	10	423	423
Other equity		44,532	45,889
<b>Total Equity</b>		<b>44,955</b>	<b>46,312</b>
Decommissioning liability	13	21,708	20,739
Senior Secured Loan	11	13,165	13,191
Non-Recourse Loan	12	8,350	9,392
Licence Obligations		4,726	4,726
Fair value of commodity hedges	7	1,837	-
Other non-current liabilities		7,877	7,877
Deferred tax liabilities		62	-
<b>Total Non-current liabilities</b>		<b>57,725</b>	<b>55,925</b>
Accounts payable, accruals and other liabilities		5,398	7,551
Senior Secured Loan – Current portion	11	2,928	2,605
Non-Recourse Loan – Current portion	12	3,326	3,751
Licence Obligations – Current portion		1,166	1,166
Fair value of commodity hedges – Current portion	7	1,494	-
Other current liabilities		1,445	1,943
Corporation tax liability	15	8,252	5,804
<b>Total current liabilities</b>		<b>24,009</b>	<b>22,820</b>
<b>Total Liabilities</b>		<b>81,734</b>	<b>78,745</b>
<b>Total Equity and Liabilities</b>		<b>126,689</b>	<b>125,057</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 31 MARCH 2019

Amounts in USD 000		Q1 2019	Q4 2018	Q1 2018
	Note		(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income/(loss) for the period before tax		3,528	(632)	(2,270)
<b>ADJUSTED FOR:</b>				
Depreciation		2,390	1,259	872
Exploration related costs and Operator G&A		114	130	43
Loss/(gain) on commodity hedges		4,183	(756)	-
Net finance costs		1,223	117	117
Share-based payments		166	168	51
Foreign exchange loss/(gain)		(217)	555	13
Increase/(decrease) in trade and other payables		(2,879)	(921)	2,261
(Increase)/ decrease in trade and other receivables		(7,706)	(3,145)	(169)
(Increase)/decrease in inventories		898	1,490	(2,084)
Taxes paid	15	(2,449)	(891)	(19)
<b>Net Cash flows from operating activities</b>		<b>(749)</b>	<b>(2,626)</b>	<b>(1,185)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Cash outflow relating to acquisitions		(510)	(32,351)	-
Net cash acquired at acquisitions		-	796	-
Investment in exploration, production and other assets	6	(2,169)	(5,900)	(1,526)
Increase/(decrease) in non-recourse loan		-	238	1,526
<b>Net cash flows from investing activities</b>		<b>(2,679)</b>	<b>(37,217)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Gross proceeds from loans and borrowings		-	16,200	-
Repayment of non-recourse loan	12	(1,684)	-	-
Realised gain/(loss) on commodity hedges		(96)	-	-
Borrowing costs, including arrangement fees		(66)	(471)	-
Gross proceeds from Equity Private Placement and Treasury Shares		-	29,830	-
Cost of Equity Private Placement and Treasury Shares Issued		-	(1,680)	-
Share buyback		-	(240)	-
Financial income, net of charges paid		7	4	4
Cash held for Bank Guarantee	9	(9,960)	-	-
Movement in restricted cash balance		3	127	-
<b>Net cash flows from financing activities</b>		<b>(11,796)</b>	<b>43,770</b>	<b>4</b>
Effect of foreign currency translation adjustment on cash balances		-	(1)	(3)
Change in cash and cash equivalents during period		(15,224)	3,926	(1,184)
Cash and cash equivalents at the beginning of the period		23,367	19,441	6,317
<b>Cash and cash equivalents at the end beginning of the period</b>		<b>8,143</b>	<b>23,367</b>	<b>5,133</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

<b>For the quarter ended 31 March 2019</b> <i>Amounts in USD 000</i>	Issued capital	Share premium	Treasury Shares	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
<b>At 1 January 2019 - (Audited)</b>	423	333,093	-	122,078	(365,873)	(37,647)	(5,762)	46,312
Net income/(loss) for the period	-	-	-	-	(1,523)	-	-	(1,523)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(1,523)	-	-	(1,523)
Employee share options charge/(benefit)	-	-	-	166	-	-	-	166
<b>At 31 March 2019 (unaudited)</b>	423	333,093	-	122,244	(367,396)	(37,647)	(5,762)	44,955

Attributable to equity holders of the parent

<b>For the quarter ended 31 December 2018</b> <i>Amounts in USD 000</i>	Issued capital	Share premium	Treasury Shares	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
<b>At 30 September 2018 - (Unaudited)</b>	331	305,032	-	121,910	(364,364)	(37,647)	(5,762)	19,500
Net income/(loss) for the period	-	-	-	-	(1,509)	-	-	(1,509)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(1,509)	-	-	(1,509)
Share buyback	-	-	(240)	-	-	-	-	(240)
Share re-issue (Mercuria Loan fee)	-	-	240	-	-	-	-	240
Share issue for cash	92	29,488	-	-	-	-	-	29,580
Transaction costs on share issue	-	(1,427)	-	-	-	-	-	(1,427)
Employee share options charge/(benefit)	-	-	-	168	-	-	-	168
<b>At 31 December 2018 (Audited)</b>	423	333,093	-	122,078	(365,873)	(37,647)	(5,762)	46,312

Attributable to equity holders of the parent

<b>For the quarter ended 31 March 2018</b> <i>Amounts in USD 000</i>	Issued capital	Share premium	Treasury Shares	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
<b>At 1 January 2018 - (Audited)</b>	299	297,490	(503)	122,206	(358,766)	(37,647)	(5,759)	17,320
Net income/(loss) for the period	-	-	-	-	(2,270)	-	-	(2,270)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	-	(2,270)	-	-	(2,270)
Employee share options charge/(benefit)	-	-	-	52	-	-	-	52
<b>At 31 March 2018 (unaudited)</b>	299	297,490	(503)	122,258	(361,036)	(37,647)	(5,759)	15,102

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

The holding Company, Panoro Energy ASA, was incorporated on 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 condensed consolidated financial statements of the Group for the period ended 31 March 2019 were authorised for issue by the Board of Directors on 22 May 2019.

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](http://www.panoroenergy.com).

The condensed consolidated financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars (USD 000), except when otherwise stated.

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 reclassified to G&A costs for the periods presented is as follows: Q1 2019: USD 39 thousand, Q4 2018: USD 27 thousand and Q1 2018: USD 44 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.

The Group had cash balances of USD 18.1 million, including cash held for bank guarantee for SOEP as of 31 March 2019 and debt of USD 28.2 million. In addition to Dussafu capital expenditure, the Group is committed to a drilling obligation of one well on SOEP in Tunisia. In support of this obligation, the Company's 60% owned subsidiary, Panoro Tunisia Exploration AS has issued a bank guarantee of USD 16.6 million (Panoro's net share is USD 10 million). Although the Group is well funded to undertake upcoming capital expenditure, there is risk that additional funding may be required to conclude such activities. Should additional funding be required in the future for additional capital expenditure for new development phases or working capital requirements, the Company has various alternatives available which it can explore to fulfil such additional requirements. Options include, amongst others, offtake prepayment structures, increased borrowings and the issuance of shares. As a result, these interim financial statements have been prepared under the assumption of going concern and realization of assets and settlement of debt in normal operations.

### New IFRS adopted

Panoro adopted IFRS 16 'Leases', which replaced IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease', with effect from 1 January 2019. Further information is included in Panoro's 2018 Annual Report - Financial statements - Note 2.5 (Standards issued but not yet effective), including the transition choices made by the Group upon implementation. IFRS 16 provides a new model for lessee accounting in which the majority of leases are accounted for by the recognition on the balance sheet of a right-of-use asset and a lease liability. Agreements that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases.

Operating lease payments were previously recorded in administrative expenses in the statement of comprehensive income. Under IFRS 16, right-of-use assets and lease liabilities are recognized in the statement of financial position for contracts that are classified as leases over the reasonably certain lease term. Right-of-use asset is recognized at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations. Right-of-use asset is included in property, plant and equipment and depreciated on a straight-line basis over the reasonably certain lease term. Depreciation of the right-of-use assets is included in depletion and depreciation expense in the statement of comprehensive income. Lease liabilities are included in other provisions at their net present value and accreted until the end of the lease term. Accretion of lease liabilities is recorded as interest expense and included in finance expense in the statement of comprehensive income.

As a result of the adoption of IFRS 16, USD 315 thousand right-of-use assets and USD 232 thousand of lease liabilities have been included in the Group Balance Sheet. The asset and liability recognised relate to the Group's London office rent commitments, which were previously reported as operating leases and not recognised on the Balance Sheet.

### **Change in accounting estimate – decommissioning liability**

Decommissioning liability cost estimates are reviewed on a regular basis and such a review was undertaken in the first quarter of 2019. The estimated decommissioning liability at 31 December 2018 for the Group's assets in Nigeria and Gabon was determined using an inflation rate of 1.5% and a discount rate of 5.9%; the decommissioning liability acquired through the acquisition of producing assets in Tunisia in December 2018 was presented at fair value determined as part of the purchase price allocation.

From the first quarter of 2019, the present value of the decommissioning provision is determined by first estimating expected future costs based on current cost estimates using an inflation rate of 2%, and then discounting these estimated future cash flows using a discount rate of 3% for all Group assets.

The impact of the review was a net increase in provision by USD 1 million from USD 21 million at 31 December 2018 to USD 22 million at 31 March 2019. There was no material impact on the income statement and the effect of change in estimate has largely resulted in an increase in the capitalised portion of the decommissioning asset under Property, Plant and Equipment.

## **3 SEGMENT INFORMATION**

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

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

- The West African segment holds the following assets:
  - The Dussafu licence representing the Group's 8.3333% working interest in the Dussafu Marin exploration licence in Gabon.
  - 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.
- 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% interest), Panoro TPS Production GmbH (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 '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.

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.

	Q1 2019	Q4 2018	Q1 2018
<b>OPERATING SEGMENTS – GROUP NET SALES</b> (Unaudited)			
Net average daily production – TPS assets (bopd)	1,155	-	-
Net average daily production – Aje (bopd)	383	368	384
Net average daily production – Dussafu (bopd)	1,042	997	-
<b>Total Group Net average daily production</b>	<b>2,580</b>	<b>1,365</b>	<b>384</b>
Oil sales (bbls) – Net to Panoro – TPS Assets, Tunisia	118,490	-	-
Oil sales (bbls) – Net to Panoro – Aje, Nigeria	48,720	37,632	-
Oil sales (bbls) – Net to Panoro – Dussafu, Gabon	116,150	45,853	-
<b>Total Group Net sales</b>	<b>283,360</b>	<b>83,485</b>	<b>-</b>
<b>OPERATING SEGMENTS – WEST AFRICA</b> <i>In USD 000</i> (Unaudited)			
<b>EBITDA</b>	8,794	1,794	(1,042)
Depreciation and amortisation	1,566	1,245	854
Segment assets	46,713	47,417	30,984
<b>OPERATING SEGMENTS – NORTH AFRICA</b> <i>In USD 000</i> (Unaudited)			
<b>EBITDA</b>	4,769	(627)	-
Depreciation and amortisation	820	11	-
Segment assets	74,851	65,482	-
<b>CORPORATE</b> <i>In USD 000</i>			
<b>EBITDA</b>	(2,290)	(456)	(180)
Depreciation and amortisation	4	3	18
Segment assets	5,125	12,158	5,510
<b>CONSOLIDATED</b> <i>In USD 000</i>			
<b>EBITDA</b>	11,273	711	(1,222)
Depreciation and amortisation	2,390	1,259	872
Segment assets	126,689	125,057	36,494

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

	Q1 2019	Q4 2018	Q1 2018
<i>Amounts in USD 000, unless otherwise stated</i>			
<i>(Unaudited)</i>			
Corporate – core costs	1,178	928	1,084
Panoro Tunisia	224	181	-
Non-Recurring Transaction Costs (Note 4.1)	-	331	95
<b>Total General and Administrative Related Costs</b>	<b>1,402</b>	<b>1,440</b>	<b>1,179</b>

4.1 Non-recurring transaction costs in the fourth quarter 2018 primarily relate to acquisition projects which has been expensed as incurred and are reported separately from recurring G&A costs for comparative purposes. These costs mainly include transaction related advisory, legal and business integration costs.

## 5 EARNINGS PER SHARE

	Q1 2019	Q4 2018	Q1 2018
<i>Amounts in USD 000, unless otherwise stated</i>			
<i>(Unaudited)</i>			
Net loss attributable to equity holders of the parent	(1,523)	(1,509)	(2,270)
Weighted average number of shares outstanding - in thousands	62,388	51,211	42,502
<b>Basic and diluted earnings per share (USD) - Total</b>	<b>(0.02)</b>	<b>(0.03)</b>	<b>(0.05)</b>

As of 31 March 2019, and 31 December 2018, there were 708,723 potentially dilutive Restricted Share Units which are not included in the calculation of diluted earnings per share because they were anti-dilutive as their conversion to ordinary shares would decrease the loss per share.

## 6 LICENCE INTERESTS, EXPLORATION AND EVALUATION, DEVELOPMENT AND PRODUCTION ASSETS

<i>USD 000</i>	Licence Interest, Exploration and Evaluation Assets	Production Rights	Development Assets	Production Assets
<b>NET BOOK VALUE</b>				
At 1 January 2019 <i>(Audited)</i>	15,197	31,082	632	41,612
Development Asset Additions/(adjustments)	-	-	-	-
Adjustments to Asset Retirement estimates	-	-	(12)	771
Exploration & Evaluation Asset Additions	147	-	-	-
Production Asset Additions	-	-	-	2,022
Depreciation/write-off for the period	-	(560)	(12)	(1,759)
<b>At 31 March 2019 <i>(Unaudited)</i></b>	<b>15,344</b>	<b>30,522</b>	<b>608</b>	<b>42,646</b>

## 7 FAIR VALUE OF COMMODITY HEDGES

During Q4 2018, the Group initiated a commodity hedging programme to strategically hedge approximately 10% 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. This equates to approximately 600 bopd, representing approximately 25% of current production, hedged over a three-year period using "zero cost collars" to protect the downside in 'Dated Brent' oil price of below USD 55 per bbl. 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 programme continues to be closely monitored and adjusted according to the Group's risk management policies and cashflow requirements. The initial hedging programme was executed in late 2018 and January 2019. The Group will continue to monitor and optimise its hedging programme on an on-going basis.

As at 31 March 2019, the Group had three outstanding contracts in place to hedge approximately 669,438 bbls net to Panoro, representing just under 10% of the Group's 2P reserves, with the volumes spread evenly between balance sheet date and December 2021. The collar for these outstanding contracts is set between USD 55 per bbl and an average of USD 61.32 per bbl. Panoro's net share of the fair value liability recognised in the Statement of Financial Position on these contracts at 31 March 2019 was USD 3.3 million with a corresponding unrealised loss on fair valuation of commodity hedge contracts in the Statement of Comprehensive Income.

As at 31 December 2018, the Group had one outstanding contract in place to hedge 360,000 bbls net to Panoro with the volumes spread over approximately three years starting from February 2019 to December 2021. The collar for this outstanding contract was set between USD 55 per bbl and USD 60.65 per bbl. Panoro's net share of the fair value asset recognised in the Statement of Financial Position on this contract at 31 December 2018 was USD 0.7 million with a corresponding unrealised gain on fair valuation of commodity hedge contract in the Statement of Comprehensive Income. This unrealised gain was reversed in the Statement of Comprehensive Income in the current quarter, resulting in a net USD 4.0 million swing in unrealised loss in the current period.

## 8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 March 2019 amounted to USD 8.1 million compared to USD 23.4 million as at 31 December 2018. The decline of USD 15 million during the period represents USD 10 million (net to Panoro) of cash held for a bank guarantee issued towards SOEP drilling obligations, as described in Note 9 below. The remaining USD 5 million decline is due to repayment of USD 1.7 million of the BWE non-recourse loan, funding of Dussafu capital and operating expenditure and payment of operating expenses and G&A.

## 9 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.

## 10 SHARE CAPITAL

As at 31 March 2019 and 31 December 2018, the Company had a registered share capital of NOK 3,119,380 divided into 62,387,600 shares, each with a nominal value of NOK 0.05.

## 11 LOANS AND BORROWINGS

On 13 December 2018, the Group entered into an agreement with Mercuria Assets Holdings (Hong Kong) Ltd (“Mercuria”), whereby Mercuria provided PTP (60% owned by Panoro) an acquisition loan facility comprising: i) a Senior Secured Loan facility of USD 16.2 million (USD 27 million gross), and ii) an additional Junior Loan facility for a further USD 4.8 million (USD 8 million gross). The Senior Secured Loan facility was fully drawn as of 31 December 2018. The Junior Loan facility was available for up to six months from 17 December 2018 and remained undrawn as at 31 March 2019. Subsequent to period end, the Group opted to cancel the Junior loan facility due to limited utilisation requirements within the expiry period ending in June 2019.

The Senior Loan facility has a term of 5 years with interest charged at USD 3-month LIBOR plus 6% on the balance outstanding, with repayments due each quarter. Interest of USD 0.36 million was accrued up to 31 March 2019 (31 December 2018: USD 0.06 million).

In addition, the facility includes financial covenants, most of which 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.

The Group was not in breach of any financial covenants as at the balance sheet dates presented.

The current and non-current portion of the outstanding balance as of the balance sheet dates attributable to Panoro’s 60% ownership is as follows:

<i>USD 000</i>	<b>31 March 2019</b>	31 December 2018
	<i>(Unaudited)</i>	<i>(Audited)</i>
Senior Loan facility - Non-current	13,560	13,560
Senior Loan facility – Current (including accumulated interest)	2,996	2,706
<b>Total Senior Loan facility</b>	<b>16,556</b>	<b>16,266</b>
Unamortised borrowing costs - Non-current	(395)	(369)
Unamortised borrowing costs – Current	(68)	(101)
<b>Total unamortised borrowing costs</b>	<b>(463)</b>	<b>(470)</b>
<b>Total Senior Secured Loan</b>	<b>16,093</b>	<b>15,796</b>

Un-amortised borrowing costs include structuring fees of USD 0.35 million and directly attributable legal and other third-party costs of USD 0.12 million thereby resulting in an effective interest rate of 10.20% per annum. The unamortised cost is expensed using the effective interest rate method over the term of the loan.

## 12 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.

<i>USD 000</i>	<b>31 March 2019</b>	31 December 2018
	<i>(Unaudited)</i>	<i>(Audited)</i>
BW Energy non-recourse loan – Non-current	8,350	9,392
BW Energy non-recourse loan – Current	3,326	3,751
<b>Total carrying value</b>	<b>11,676</b>	<b>13,143</b>

Accumulated interest as of 31 March 2019 was USD 0.9 million (31 December 2018: USD 0.6 million). The reduction in the outstanding balance is due to repayments of USD 1.7 million applied from Panoro's share of sales during the quarter.

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.

## 13 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:

<i>USD 000</i>	Nigeria	Gabon	Tunisia	<b>Total</b>
At 1 January 2019 <i>(Audited)</i>	2,159	1,531	17,049	<b>20,739</b>
Recognised during the period	-	-	-	-
Unwinding of discount	30	44	124	<b>198</b>
Change in inflation and discount rate (estimate)	976	440	(645)	<b>771</b>
<b>Balance at 31 March 2019 <i>(Unaudited)</i></b>	<b>3,165</b>	<b>2,015</b>	<b>16,528</b>	<b>21,708</b>

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 are a discount rate of 3% and an inflation rate of 2% (31 December 2018: 5.9% and 1.5% respectively).

### **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 are a discount rate of 3% and an inflation rate of 2%.

## 14 OML113 AJE LIABILITIES

Since the settlement of the Aje dispute (as described in Q4 2017 report), the Group has performed a review of historical costs incurred and recognised the liabilities associated with such expenditures in the balance sheet. The proportionate joint venture liabilities resulting from the workover and side-tracks at Aje-5 had been higher than anticipated, in combination with the operational accruals resulted in proportional liabilities of USD 4.6 million as of 31 March 2019, compared to USD 5.8 million as of 31 December 2018. The decrease in liability is due to the effect of the proceeds from the quarter's Aje lifting being utilised to fund the quarterly operating costs and resulting in a decrease in operational payables. The underlying liabilities will continue to reduce through the allocation of any available excess funds from future Aje liftings. Such liabilities continue to be current in nature and are expected to be repaid within 12 months.

In addition to these, USD 6.8 million is classified as long-term liabilities which as per the terms agreed between OML 113 Joint Venture partners, certain transitional arrangements were introduced whereby unpaid cash calls will not be immediately payable. During the transition period, any excess funds from Panoro's entitlement of crude liftings after paying for its share of operating expenditure shall be used to repay unpaid cash calls. We do not currently anticipate any use of Panoro's cash resources and expect it to be funded from the sale of our share of Aje crude.

## 15 INCOME TAX

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

<i>USD 000</i>	Q1 2019	Q4 2018	Q1 2018
	<i>(Unaudited)</i>		
Effect of taxes under PSA arrangements - Gabon	2,442	877	-
Current income tax charge – Tunisia	2,574	-	-
Other corporate	7	-	-
Deferred tax charge	28	-	-
<b>Total tax charge</b>	<b>5,051</b>	<b>877</b>	<b>-</b>

Corporation tax liability at 31 March 2019 of USD 8.3 million comprised USD 8.2 million for taxes on income from TPS assets and the remainder USD 26 thousand for taxes payable in Brazil. Corporation tax liability at 31 December 2018 of USD 5.8 million comprised solely of taxes payable on income from TPS assets.

## 16 SUBSEQUENT EVENTS

There were no material reportable events subsequent to quarter end.

## OTHER INFORMATION

### FINANCIAL CALENDAR

23 May 2019	Annual General Meeting
22 August 2019	Half-Yearly Report 2019
20 November 2019	Quarter Report Q3, 2019

### GLOSSARY AND DEFINITIONS

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bopd	Bopd
Bcf	Billion cubic feet
Bm <sup>3</sup>	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
MMm <sup>3</sup>	Million cubic meters
Tcf	Trillion cubic feet
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EBIT	Earnings before Interest and Taxes

### 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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