



Panoro Energy

HALF YEAR AND SECOND QUARTER REPORT 2020

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HIGHLIGHTS AND EVENTS

FIRST HALF AND SECOND QUARTER 2020 HIGHLIGHTS AND SUBSEQUENT EVENTS

Financial Highlights

- Record quarterly production levels since 2013
- Third straight quarter of production increases to approximately 2,347 bopd net for 2Q 2020
- Gross revenue excluding hedging income from continuing operations¹ of USD 8.5 million for the first six months of 2020 from three international oil liftings
- Operating cost of under USD 15 per barrel of oil produced for the six months to 30 June 2020
- Positive EBITDA and Operating Cash Flow (including hedges) in 2Q and 1H, despite very low oil price and higher operating costs linked to workovers in Tunisia
- Net income after tax for the six months to 30 June 2020 of USD 3.4 million, principally from realised and unrealised gains on crude oil hedges of USD 9.2 million
- Capital expenditure of USD 9.1 million year to date (USD 4.1 million for the second quarter), largely completing planned spending for 2020
- Cash balances of USD 19 million at 30 June 2020 (31 March 2020: USD 24.2 million) including cash held for bank guarantee
- Receivables from crude oil sales were USD 4.3 million at 30 June 2020 (31 March 2020: USD 3.1 million). USD 2.7 million of these was collected subsequent to quarter end
- Debt of USD 22.8 million (31 March 2020: USD 23.4 million), with USD 2.9 million having been repaid in the first half, followed by a further USD 0.7 million repayment in July

Operational Highlights

- Production and lifting operations maintained and largely unaffected through crisis
- Health and Safety systems and protocols proved resilient
- In Gabon, quarterly production at record high of 15,991 bopd gross on average, with current production in excess of 18,000 bopd
- At Dussafu, seismic reprocessing completed, potential for material increase in hydrocarbon volumes at Hibiscus
- Tunisian quarterly production of 3,903 bopd gross on average, with periods of production at 4,300
- In Tunisia, operational constraints imposed by the COVID-19 pandemic gradually began to be released in the latter part of May though international travel restrictions still apply
- Workover activities recommenced in June with multiple wells currently being prepared for production
- Guebiba 10 side-track spud in August with rig CTF 06, targeting undrained oil in a location close to the crest of the field

Corporate Highlights

- Hedging strategy proving effective in period of extremely volatile and low oil prices, realising USD 2.7 million in finance income during 1H
- Three non-executive directors purchased shares during the quarter

¹ Discontinued Operations

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

Outlook and Guidance

- Two international liftings (one of each Tunisia and Gabon) for 3Q; three liftings expected in 4Q (two Gabon, one Tunisia)
- Hedging position remains strong at approximately 25% of production hedged until end 2021 at USD 55 per barrel
- 2020 net production guidance of 2,300-2,500 bopd
- In Gabon, production from DTM-6H (drilled but not tied in) and DTM-7H (to be drilled) to be brought into production likely during 1H 2021
- Production growth activity in Tunisia at unprecedented levels
- Dividend of PetroNor shares to Panoro shareholders upon completion of sale of Aje

OPERATIONAL UPDATE

GABON

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

Production from the Tortue field continued at an average gross rate of 15,991 bopd during the quarter compared to 11,485 bopd during 1Q 2020. There were no shut-ins during the period and the field continued to produce from four wells, DTM-2H, DTM-3H, DTM-4H and DTM-5H. Of the remaining phase 2 wells, DTM-6H has been drilled and completed but not yet hooked up to the FPSO and DTM-7H has not yet been drilled. The Operator plans to resume activities at Tortue and complete the phase 2 drilling program in early 2021. A letter of intent has been signed with Borr for the completion of phase 2 drilling.

Full year 2020 production is guided at 15,000 to 16,000 bopd gross. A lifting of approximately 660,000 barrels gross (net to Panoro: 54,320 bbls) was completed in June. We anticipate one lifting during 3Q 2020 and two liftings during 4Q 2020.

Following the completion of the Tortue phase 2 wells, Ruche Phase 1 is planned as the next phase of development at the Dussafu block. Ruche Phase 1 is expected to consist of four production wells at the Hibiscus field and two wells at the Ruche field, tied back to the BW Adolo FPSO via a platform and pipeline. Planning and Engineering activities for Ruche Phase 1 remain on hold until conditions improve.

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 quarter has averaged 3,903 bopd gross (net: 1,148 bopd), compared to 4,006 bopd (net: 1,178 bopd) during 1Q 2020. There have been periods of gross production of approximately 4,300.

Operational constraints imposed by the COVID-19 pandemic gradually began to be released in the latter part of May though international travel restrictions still apply in Tunisia at end of the quarter. The significant workover campaign planned ahead of the onset of the pandemic recommenced in late May and early June at GUE-05 and EL AIN-01.

An acid stimulation was performed at the EL-AIN-01 well and an ESP completion string run. A further acid stimulation operation was completed on the EL-AIN-03 well and the well swabbed into production. At Guebiba the GUE-05 workover to perforate the high potential Douleb reservoir commenced and preparations for drilling a sidetrack at GUE-10A and fishing operations at GUE-04 were underway. At the end of the quarter two ESPs failed with workover operations being planned to replace these pumps during 3Q.

An international lifting of 90,444 bbls and two domestic liftings of 23,800 bbls net to Panoro was completed in 2Q 2020.

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.

Commencement of the wellsite civils construction works has been delayed pending the issue of an approval from the Ministry of Defence. Contracts award and negotiations are ongoing with the rig contract now signed with CTF, the Tunisian state-owned drilling company for Rig 06. Contracts for piling operations and the civils construction works on the wellsite have been awarded. With this Ministerial delay to the operations, TPS are using the mobilised CTF Rig 06 to drill the side-track on Geubiba-10A.

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 an average of 258 bopd during the quarter compared to an average of 264 in 1Q 2020. 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. No liftings were carried out in the period. 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.

CORPORATE

The Group closed the quarter with total debt (including unamortised borrowing cost) of USD 22.3 million (31 March 2020: USD 23 million) and cash of 19 million (31 March 2020: USD 24.2 million), including USD 10 million held for the SOEP guarantee (31 December 2019: USD 10 million). In total, the Group repaid USD 0.7 million of external debt during the second quarter of 2020 related to the Mercuria Senior Loan facility.

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 from the fourth quarter of 2019. 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 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 to 9 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 USD 2.5 million of the well cost. The well is expected to be spud as early as 1Q 2021 depending on regulatory approvals and rig availability. Panoro’s total share of drilling costs including the AEC carry is estimated at approximately USD 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.

While many logistical challenges associated with COVID-19 continue, Panoro's production to date has been largely unaffected. The health and safety culture at our operations has shown to be resilient, with conduct of safe operations, together with the well-being of our team, being our top priority. Production in both Gabon and Tunisia continues to be in line with expectations given the necessary deferral in some near-term development activity.

FINANCIAL INFORMATION

STATEMENT OF COMPREHENSIVE INCOME REVIEW

As noted on page 5, 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 of 2019, 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 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 end of 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.

Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful Non-GAAP financial measure 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:

Q2 2019	Q1 2020	Q2 2020		YTD 2020	YTD 2019
(Unaudited)	(Unaudited)	(Unaudited)	Amounts in USD 000	(Unaudited)	(Unaudited)
10,529	9,070	(4,243)	Net income/(loss) before tax - continuing operations	4,827	14,163
149	240	184	Share based payments	424	315
91	66	(10)	Non-recurring costs	56	91
-	-	-	Loss/(gain) on disposal of oil and gas assets	-	-
(8,145)	-	-	Impairment / (reversal) of impairment for Oil and gas assets	-	(8,145)
(1,627)	(10,108)	3,520	Unrealised (gain)/loss on commodity hedges	(6,588)	2,460
997	(732)	(549)	Underlying operating profit/(loss) before tax	(1,281)	8,884

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.

Second quarter 2020 versus first quarter 2020

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 0.3 million in the second quarter of 2020, compared to USD 0.3 million in the first quarter of 2020. Increased operating costs were driven by higher production levels in the quarter and a one-off incremental cost of USD 0.5 million in Gabon triggered on reaching phase 2 operational milestones. Increased costs were offset by higher liftings this quarter, however the falling trend in the oil prices continued and resulted in lower realised sale prices for the second quarter of 2020. It should be noted that lifting scheduling across the Group's 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 second quarter of 2020 was USD 5.1 million compared to USD 3.4 million in 1Q 2020. This comprised USD 4.6 million of oil sales revenue and USD 0.6 million of other revenue. Oil sales revenue in 2Q 2020 was generated through the sale of 168,564 barrels, comprising one international and two smaller domestic liftings for TPS assets and one lifting for Dussafu. Revenue for the previous quarter consisted of oil sales USD 2.8 million with other revenue of USD 0.6 million with oils sales of 71,012 barrels, comprising two smaller domestic liftings for TPS assets and one lifting for Dussafu.

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.

Of the total oil sales revenue from continuing activities of USD 4.6 million for the second quarter of 2020, USD 2.2 million was from Dussafu and USD 2.4 million from the Group's Tunisian assets. This compares to USD 2.8 million for the first quarter of 2020, where USD 1.4 million was from Dussafu and USD 1.4 million from the Group's Tunisian assets.

Operating and other costs attributable to continuing operations of the Group were USD 3.5 million in 2Q 2020 compared to USD 1.3 million in 1Q 2020, an increase of USD 2.2 million. The increase is primarily driven by higher production and sales volumes quarter on quarter and the effect of continued higher workover activity in Tunisia together with a one-off cost of USD 0.5 million in Gabon as explained in the paragraphs above.

General and Administrative (G&A) costs from continuing operations decreased from USD 1.6 million in the first quarter of 2020 to USD 1.2 million in 2Q 2020. The reduction is a combination of reduced activity due to COVID-19 and also due to the cyclicity of certain items.

Non-recurring transaction costs shows a credit of USD 10 thousand in the second quarter of 2020 compared to USD 66 thousand in 1Q 2020. These costs relate to ongoing costs associated with work to streamline the overall group structure and integration activities and are related to the Group's continuing operations.

Exploration related costs for the current quarter were USD 117 thousand compared to USD 93 thousand in the previous quarter resulting from exploration activities.

Depreciation charge for the Group's assets attributable to continuing operations increased by USD 0.2 million to USD 1.8 million in 2Q 2020 compared to USD 1.6 million in the previous quarter, mainly driven by higher production during the quarter.

There was no impairment charge or reversal pertaining to continuing operations of the Group during both 2Q 2020 and 1Q 2020.

EBIT from continuing operations for the second quarter of 2020 was a negative USD 1.7 million compared to a negative USD 1.6 million in 1Q 2020.

Net financial items from continuing operations amounted to a loss of USD 2.6 million in the second quarter of 2020, compared to a gain of USD 10.6 million for the previous quarter, a movement of USD 13.2 million. The primary driver for the change is loss on commodity hedges triggered by lower mark-to-market valuation resulting in a loss of USD 2 million in the current quarter, compared to a gain of USD 11.2 million in the first quarter of 2020. Interest expense on external debt for both first and second quarters of 2020 was constant at USD 0.4 million each quarter.

Loss before tax for the second quarter from continuing operations was therefore USD 4.2 million compared to a profit of USD 9.1 million for 1Q 2020.

Second quarter net loss after tax from continuing operations was USD 4.6 million compared to net profit of USD 8 million in the previous quarter.

Income taxes decreased from USD 1.1 million in 1Q to USD 0.4 million in the second quarter of 2020. The tax charge in the second quarter of 2020 comprises USD 0.6 million of State profit oil under the terms of the Dussafu PSC offset by a deferred tax credit of USD 0.2 million relating to TPS. The tax charge in the first quarter of 2020 comprises USD 0.6 million of State profit oil under the terms of the Dussafu PSC, and USD 0.5 million for the Tunisian operations, offset by a deferred tax credit of USD 68 thousand.

Underlying Operating Loss before tax from continuing operations for second quarter of 2020 was USD 0.6 million compared to USD 0.7 million for the first quarter of 2020 (see details on page 7).

Year-to-date 2020 versus year-to-date 2019

The commentary that follows pertains only the Group's continuing operations in Gabon and Tunisia.

Panoro Energy reported a positive EBITDA from continuing operations of USD 0.6 million in the first half of 2020, compared to USD 14.3 million in the second half of 2019. Lower EBITDA in the second half of 2020 is primarily driven by lower oil revenues, comprising one international and four domestic liftings in Tunisia and two liftings in Gabon. In the first half of 2019, the Group saw three liftings in Gabon and one international lifting and two smaller domestic liftings by the state in Tunisia. Realised prices in the first half of 2020 are also lower given the current economic situation and the fall in oil prices since the start of 2020. It should be noted that lifting scheduling across the Group's 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.

Total revenue from continuing operations in the first half of 2020 was USD 8.5 million compared to USD 24.3 million in 1H 2019. This comprised USD 7.4 million of oil sales revenue (2019: USD 20.4 million) and USD 1.2 million of other revenue (2019: USD 3.9 million). Oil sales revenue was generated through the sale of 239,577 barrels during the first six months of 2020 (1H 2019: 325,786 barrels) comprising one export and four domestic liftings for TPS assets (1H 2019: 1 international; 4 domestic) and two liftings for Dussafu (1H 2019: 3).

Other revenue amounted to USD 1.2 million for the first half of 2020 and USD 3.9 million for the same period in 2019. 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.

Of the total oil sales revenue from continuing activities of USD 7.4 million for the first half of 2020, USD 3.7 million was from Dussafu and USD 3.7 million from the Group's Tunisian assets. This compares to USD 20.4 million for the first half of 2019, where USD 11.7 million was from Dussafu and USD 8.7 million from the Group's Tunisian assets.

Operating and other costs attributable to continuing operations of the Group were USD 4.9 million in the first half of 2020 compared to USD 7.4 million in 1H 2019, a decrease of USD 2.5 million. The decrease is primarily driven by lower sales volumes compared to the first half of 2019.

General and Administrative (G&A) costs from continuing operations increased to USD 2.8 million from USD 2.3 million in the first six months of 2020 and 2019 respectively, reflecting phasing and cyclicity of the timing of some annual overheads. The overall G&A costs remain consistent on an annualised basis.

Non-recurring transaction costs in the first half of 2020 were USD 56 thousand compared to USD 91 thousand in the same period of the previous year. Non-recurring primarily included costs associated with work to streamline the overall group structure and integration activities and are related to the Group's continuing operations.

Exploration related costs were consistent across the two reported six-month periods at USD 0.2 million.

DD&A charge for the Group's assets attributable to continuing operations increased by USD 0.4 million to USD 3.5 million in the current period compared to USD 3.1 million in the first half of 2019. The increase is due to higher depreciation charge for Dussafu, as a result of higher production achieved in the current period.

There was no impairment charge or reversal pertaining to continuing operations of the Group during the first half of 2020. The impairment reversal of USD 8.1 million in 1H 2019 relates to the Group's interest in the Dussafu permit, offshore Gabon. The impairment reversal is a result of positive revision in economic evaluations. These include an independent reserves upgrade, which attribute higher recoverable amounts on both 1P and 2P profiles and the sanction of Phase II of the development. An impairment assessment for the year 2020 will be made for all the assets in the second half of 2020.

EBIT from continuing operations for the first six months of 2020 was thus a negative of USD 3.3 million compared to positive USD 19 million in 1H 2019.

Net financial items from continuing operations amounted to a gain of USD 8.1 million in the first half of 2020, compared to a loss of USD 4.9 million in the first half of 2019, an increase of USD 13 million. The primary driver for this change is gains on commodity hedges due to the low oil prices of USD 9.3 million in 2020, compared to a loss of USD 3.1 million in the same period of 2019. Interest expense on external debt for the first half of 2020 was USD 0.9 million compared to USD 1.4 million in the same period of 2019 reflecting a consistent reduction in the level averaged debt and the cost of borrowing of the senior secured loan which is based on 3M LIBOR plus margin.

Profit before tax for the first half from continuing operations was therefore USD 4.8 million compared to USD 14.2 million in the first half of 2019.

First half net profit after tax from continuing operations was USD 3.4 million, compared to net profit after tax of USD 6.7 million in 2019.

Income taxes decreased to USD 1.4 million for the first six months of 2020 from USD 7.5 million in the same period of 2019. These tax charges consisted of USD 1.2 million (2019: USD 3.9 million) representing State profit oil under the terms of the Dussafu PSC and USD 0.2 million (2019: USD 3.6 million) for taxes on profits for the Group's Tunisian Operations which includes a deferred tax credit of USD 0.2 million (2019: nil). The lower taxes in the current period are a function of lower profits.

Underlying operating loss before tax from continuing operations for first six months of 2020 was USD 1.3 million compared to a profit of USD 8.9 million for the same period 2019 (see details on page 7).

STATEMENT OF FINANCIAL POSITION REVIEW

As noted on page 5, 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 of 2019, 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. 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 of 2019. Details of assets and liabilities held for sale can be referred to in Note 5 to the interim financial statements.

Movements to 30 June 2020 from 31 March 2020

Movements in the Group statement of financial position during the second quarter of 2020 were a combination of the following:

Non-current assets

Non-current assets amount to USD 94.2 million at 30 June 2020, an increase of USD 0.9 million from USD 93.3 million at 31 March 2020.

This movement is predominantly due to development asset additions at Dussafu of USD 2.9 million and capitalised production and exploration costs of USD 1.2 million, offset by a reduction in the non-current portion of the fair value of hedge instruments of USD 1.3 million. The remaining movements are a result of a combination of capitalisation of assets offset by depreciation charge.

Current assets

Current assets amount to USD 36 million as of 30 June 2020, compared to USD 43 million at 31 March 2020.

Crude oil inventory of USD 1.3 million relates to un-expensed operating costs for unsold barrels. This is after taking into account any over and under-lift volumes as of the end of the respective periods. Materials inventory was largely unchanged from the previous quarter.

Trade and other receivables increased by USD 0.8 million to USD 7.3 million at 30 June 2020 from USD 6.5 million at 31 March 2020, due to higher receivable balances from crude sales revenues partially offset by USD 0.9 million lower value of monthly realised hedge settlement. Of the current overall receivables balance at 30 June 2020, USD 1.6 million relate to operations in Tunisia, USD 2 million to Gabon and USD 0.3 million to the realised gain on the June 2020 hedge settlements, with the remaining balance relating to prepayments and other trade receivables of other group companies.

Fair value of commodity hedges representing the fair value of unrealised hedges shows a receivable balance of USD 3.9 million at 30 June 2020 compared to USD 6.1 million at 31 March 2020, reflecting the partial recovery of oil prices during the quarter (see note 8).

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 30 June 2020.

Cash and cash equivalents stood at USD 9.1 million compared to USD 14.3 million at 31 March 2020 (both periods excluding USD 10 million held for the SOEP guarantee). The decrease in cash and cash equivalents is mainly due to the continued investing activities to progress the Group's oil and gas assets.

The classification of Aje related assets of USD 20.5 million (31 March 2020: USD 19.6 million) as held for sale is referenced in Note 5.

Equity

Equity as at 30 June 2020 amounts to USD 74.3 million compared to USD 78.9 million at the end of March 2020. The movement is a direct result of the loss for the period.

Non-current liabilities

Total non-current liabilities are USD 46 million as at 30 June 2020 compared to USD 46.6 million as at 31 March 2020.

Non-current portion of the Mercuria Senior Secured facility decreased from USD 12.2 million at 31 March 2020 to USD 11.3 million at 30 June 2020.

BW Energy non-recourse loan balance increased from USD 6.8 million as at 31 March 2020 to 7 million as at 30 June 2020 on an overall basis. The non-current portion of the BWE loan was unchanged between 30 June 2020 and 31 March 2020 at USD 6.4 million. For the purpose of classification in the Group's statement of financial position, USD 6.4 million of the entire loan balance has been categorised in non-current portion due to expected low oil price assumptions. Since the repayment of the loan is linked to production and, impacted by oil prices and operating expenses, judgement has been exercised in estimation of these values. The actual repayments may therefore vary from the estimates in current and non-current portions recognised as of the date of the statement of financial position.

The remaining liabilities included deferred tax liabilities of USD 1.8 million, decommissioning liabilities of USD 19.7 million and the lease liability recognised on first time adoption of IFRS 16 in 2019.

Current liabilities

Current liabilities amounted to USD 12.3 million at 30 June 2020 compared to USD 13.4 million at 31 March 2020, a decrease of USD 1.1 million. This decrease predominantly relates to a tax payment in Tunisia that reduced corporation tax liabilities as well as a reduction in the amounts owing under funding arrangements of our Tunisian and Gabonese projects.

The current portion of the Mercuria Senior Secured facility amounted to USD 4.1 million at 30 June 2020 compared to USD 4 million as at 31 March 2020, while the BW Energy non-recourse loan stayed largely constant at USD 0.5 million.

Corporation tax liabilities, primarily related to TPS related income, were USD 3.4 million as at 30 June 2020 compared to USD 4.4 million as at 31 March 2020, the reduction of USD 1 million being a result of a tax payment to the Tunisian authorities.

Other current liabilities include payroll taxes of USD 0.6 million and also operational accruals of USD 1.0 million.

Accounts payable, accruals and other liabilities amounted to USD 1.4 million at 30 June 2020 and USD 1.2 million at 31 March 2020, an increase of USD 0.2 million.

The classification of Aje related liabilities of USD 18 million (31 March 2020: USD 17.1 million) as held for sale, included the decommissioning liability and non-current payables due to the Aje joint venture and are referenced in Note 5.

Movements to 30 June 2020 from 31 December 2019

Movements in the Group statement of financial position during the first half of 2020 were a combination of the following:

Non-current assets

Non-current assets amount to USD 94.2 million at 30 June 2020, an increase of USD 7.6 million from USD 86.6 million at 31 December 2019.

This movement is predominantly due to development asset additions at Dussafu of USD 7 million, capitalised production and exploration costs of USD 0.4 million and an increase in the non-current portion of the fair value of hedge instruments of USD 1.6 million. The remaining movements are a result of a combination of capitalisation of assets offset by depreciation charge.

Current assets

Current assets amount to USD 36 million as of 30 June 2020, compared to USD 45 million at 31 December 2019.

Crude oil inventory at 30 June 2020 of USD 1.3 million relates to un-expensed operating costs for unsold barrels, compared to USD 0.4 million at 31 December 2019. This is after taking into account any over and under-lift volumes as of the end of the respective periods. Materials inventory was largely unchanged from the previous quarter.

Trade and other receivables decreased by USD 2.1 million to USD 7.3 million at 30 June 2020 from USD 9.4 million at 31 December 2019. This was the result of the receivables being impacted by lower oil prices in 2020 compared to 2019, with the addition of the receivables from Tullow Oil Gabon SA relating to their 2019 back-in to the Dussafu Permit in 2019. Of the current overall receivables balance at 30 June 2020, USD 1.6 million relate to operations in Tunisia, USD 2 million to Gabon and USD 0.3 million to the realised gain on the June 2020 hedge settlements, with the remaining balance relating to prepayments and other trade receivables of other group companies.

Fair value of commodity hedges representing the fair value of unrealised hedges shows a receivable balance of USD 3.9 million at 30 June 2020 compared to nil balance at 31 December 2019. The change reflects the effect of the drop in oil prices that are below the strike price of the instruments.

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 30 June 2020 and 31 December 2019.

Cash and cash equivalents stood at USD 9.1 million compared to USD 20.5 million at 31 December 2019 (both periods excluding USD 10 million held for the SOEP guarantee). The decrease in cash and cash equivalents is mainly due to the continued investing activities to progress the Group's oil and gas assets.

The classification of Aje related assets of USD 20.5 million (31 December 2019: 20.9 million) as held for sale is referenced in Note 5.

Equity

Equity as at 30 June 2020 amounts to USD 74.3 million compared to USD 72.7 million at the end of December 2019.

Non-current liabilities

Total non-current liabilities are USD 46 million as at 30 June 2020 compared to USD 43.9 million at 31 December 2019.

Non-current portion of the Mercuria Senior Secured facility decreased from USD 13.1 million at 31 December 2019 to USD 11.3 million at 30 June 2020.

BW Energy non-recourse loan balance reduced from USD 8.1 million as at 31 December 2019 to USD 7 million as at 30 June 2020 on an overall basis. The non-current portion of the BWE loan was USD 6.4 million compared to USD 3.4 million as of 31 December 2019. For the purpose of classification in the Group's statement of financial position, USD 6.4 million of the entire loan balance has been categorised in non-current portion due to expected low oil price assumptions. Since the repayment of the loan is linked to production and, impacted by oil prices and operating expenses, judgement has been exercised in estimation of these values. The actual repayments may therefore vary from the estimates in current and non-current portions recognised as of the date of the statement of financial position.

The remaining liabilities included the non-current portion of fair value of hedge instruments amounting to USD nil (31 December 2019: USD 0.1 million), the decommissioning liabilities of USD 19.7 million and the lease liability recognised on first time adoption of IFRS 16 in 2019.

The remaining liabilities for 30 June 2020 included deferred tax liabilities of USD 1.8 million, decommissioning liabilities of USD 19.7 million and the lease liability recognised on first time adoption of IFRS 16 in 2019.

Current liabilities

Current liabilities amounted to USD 12.3 million at 30 June 2020 compared to USD 19.5 million at the end of December 2019, a decrease of USD 7.2 million. This decrease predominantly relates to the classification of the BWE non-recourse loan as referenced in Note 13.

The current portion of the Mercuria Senior Secured facility at 30 June 2020 amounted to USD 4.1 million compared to USD 3.8 million at 31 December 2019. Current portion of the BW Energy non-recourse decreased from USD 4.7 million as at 31 December 2019 to USD 0.5 million as at 30 June 2020 due to the classification of the loan as referenced in Note 13.

Corporation tax liabilities were USD 3.4 million as at 30 June 2020 (31 December 2019: USD 5 million). Corporation tax liabilities relate primarily to taxes due on income from TPS Assets, the reduction being a result of a tax payment to the Tunisian authorities.

Also included in the current liabilities is the current portion of fair value of hedge instruments amounting to nil as at 30 June 2020 (31 December 2019: USD 1.0 million). The hedge positions have reverted to overall asset positions due to drop in oil prices that are below the strike price of the instruments. Other current liabilities include payroll taxes of USD 0.6 million and also operational accruals of USD 1.0 million.

Accruals and other payable amounted to USD 1.4 million at 30 June 2020, a decrease of USD 0.2 million compared to the balance of USD 1.6 million at 31 December 2019.

The classification of Aje related liabilities of USD 18 million (31 December 2019: 16.4 million) as held for sale, included the decommissioning liability and non-current payables due to the Aje joint venture and are referenced in Note 5.

RISK AND UNCERTAINTIES

Investment in Panoro Energy ASA

Investment in Panoro Energy involves risks and uncertainties as described in the Company's Annual Report for 2019.

As an oil and gas company operating in multiple jurisdictions in Africa, exploration results, reserve and resource estimates and estimates for capital and operating expenditures are associated with uncertainty. The field's production performance may be uncertain over time.

The company is exposed to various forms of financial risks, including, but not limited to, fluctuation in oil prices, exchange rates, interest rates and capital requirements; these are described in the Company's 2019 Annual Report and Accounts, and in Note 2 to the half year financial statements. The Company is also exposed to uncertainties relating to the international capital markets and access to capital and this may influence the speed with which development projects can be accomplished.

As described in Note 2, the effects of the COVID-19 pandemic continues to progress and evolve, and it is challenging to predict the full extent and duration of resulting operational and economic impact for the Company and the Group. Key assumptions underpinning the valuation of our assets and measurement of our liabilities are subject to significant uncertainty. These assumptions include commodity prices, discount rates and oil and gas supply and demand.

Operational risks and uncertainties

The development of oil and gas fields in which the Company is involved is associated with technical risk, reservoir performance, alignment in the consortiums with regards to development plans and on obtaining the necessary licenses and approvals from the authorities. Such operations might occasionally lead to cost overruns and production disruptions, as well as delays compared to the plans laid out by the operator of these fields. Furthermore, the Company has limited influence on operational risk related to exploration success and development of industry cost.

OUTLOOK

- Focus on financial discipline and maintaining existing production
- Production guidance for 2020 (2,300 – 2,500 bopd excl. Aje)
- Upside to asset base still intact, timing delayed
- Resilient business model in a challenging environment

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

Q2 2019 <i>(Unaudited)</i>	Q1 2020 <i>(Unaudited)</i>	Q2 2020 <i>(Unaudited)</i>	<i>Amounts in USD 000</i>		YTD 2020 <i>(Unaudited)</i>	YTD 2019 <i>(Unaudited)</i>
CONTINUING OPERATIONS						
6,184	2,803	4,573	Oil revenue	Note	7,376	20,411
1,479	613	554	Other revenue		1,167	3,921
7,663	3,416	5,127	Total revenues		8,543	24,332
Expenses						
(2,522)	(1,329)	(3,523)	Operating costs		(4,852)	(7,402)
(112)	(93)	(117)	Exploration related costs and operator G&A		(210)	(226)
(91)	(66)	10	Non-recurring costs	4	(56)	(91)
(949)	(1,618)	(1,201)	General and administrative costs	4	(2,819)	(2,325)
3,989	310	296	EBITDA		606	14,288
(1,627)	(1,644)	(1,806)	Depreciation, depletion and amortisation	7	(3,450)	(3,077)
8,145	-	-	(Impairment) / reversal of impairment for Oil and gas assets		-	8,145
(149)	(240)	(184)	Share based payments		(424)	(315)
10,358	(1,574)	(1,694)	EBIT - Operating income/(loss)		(3,268)	19,041
(532)	(429)	(436)	Interest costs net of income		(865)	(1,373)
1,627	10,108	(3,520)	Unrealised gain/(loss) on commodity hedges		6,588	(2,460)
(585)	1,118	1,571	Realised gain/(loss) on commodity hedges		2,689	(681)
(254)	(207)	(215)	Other financial costs net of income		(422)	(496)
(85)	54	51	Net foreign exchange gain / (loss)		105	132
10,529	9,070	(4,243)	Net income/(loss) before tax		4,827	14,163
(2,454)	(1,052)	(391)	Income tax expense	14	(1,443)	(7,505)
8,075	8,018	(4,634)	Net profit/(loss) from continuing operations		3,384	6,658
DISCONTINUED OPERATIONS						
24	(2,032)	(128)	Net income/(loss) from discontinued operations		(2,160)	(82)
8,099	5,986	(4,762)	Net profit/(loss) for the period		1,224	6,576
8,099	5,986	(4,762)	Total comprehensive income/(loss) for the period (net of tax)		1,224	6,576
NET INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:						
8,099	5,986	(4,762)	Equity holders of the parent		1,224	6,576
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:						
8,099	5,986	(4,762)	Equity holders of the parent		1,224	6,576
EARNINGS PER SHARE						
0.13	0.09	(0.07)	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Total	6	0.02	0.11
0.13	0.12	(0.07)	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Continuing operations	6	0.05	0.11

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

The 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

<i>Amounts in USD 000</i>	Note	As at	As at	As at
		30 June 2020	31 March 2020	31 December 2019
		(Unaudited)	(Unaudited)	(Audited)
Production assets and equipment	7	30,387	31,049	30,979
Production rights	7	27,684	28,272	28,876
Licenses and exploration assets	7	20,641	20,008	19,760
Development assets	7	12,940	10,023	5,915
Property, furniture, fixtures and office equipment		771	865	948
Investment in associates and joint ventures		26	26	26
Fair value of commodity hedges	8	1,623	2,943	-
Other non-current assets		122	123	131
Total Non-current assets		94,194	93,309	86,635
Crude Oil Inventory		1,347	1,648	358
Materials Inventory		4,476	4,535	4,773
Trade and other receivables		7,274	6,472	9,372
Fair value of commodity hedges - current portion	8	3,885	6,085	-
Cash and cash equivalents	9	9,053	14,272	20,493
Cash held for Bank guarantee	10	9,960	9,960	9,960
Total current assets		35,995	42,972	44,956
Assets classified as held for sale	5	20,452	19,643	20,925
Total Assets		150,641	155,924	152,516
Share capital	11	458	458	458
Other equity		73,880	78,459	72,233
Total Equity		74,338	78,917	72,691
Decommissioning liability		19,743	19,598	18,911
Senior Secured Loan	12	11,345	12,189	13,091
BW Energy Non-Recourse Loan	13	6,442	6,442	3,380
Licence Obligations		4,726	4,726	4,726
Fair value of commodity hedges	8	-	-	106
Other non-current liabilities		1,961	1,640	1,708
Deferred tax liabilities	14	1,794	1,957	2,024
Total Non-current liabilities		46,011	46,552	43,946
Accounts payable, accruals and other liabilities		1,422	1,170	1,555
Senior Secured Loan - current portion	12	4,094	3,978	3,797
BW Energy Non-Recourse Loan - current portion	13	512	385	4,729
Licence Obligations - current portion		1,166	1,166	1,166
Fair value of commodity hedges - current portion	8	-	-	974
Other current liabilities		1,637	2,257	2,292
Corporation tax liability	14	3,434	4,399	4,991
Total Current liabilities		12,265	13,355	19,504
Liabilities directly associated with assets classified as held for sale	5	18,027	17,100	16,375
Total Liabilities		76,303	77,007	79,825
Total Equity and Liabilities		150,641	155,924	152,516

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

Q2 2019	Q1 2020	Q2 2020		Note	YTD 2020	YTD 2019
(Unaudited)	(Unaudited)	(Unaudited)	Amounts in USD 000		(Unaudited)	(Unaudited)
CASH FLOW FROM OPERATING ACTIVITIES						
10,529	9,070	(4,243)	Net (loss)/income for the period before tax - continuing operations		4,827	14,163
24	(2,032)	(128)	Net (loss)/income for the period before tax - discontinued operations		(2,160)	(82)
10,553	7,038	(4,371)	Net (loss)/income for the period before tax - discontinued operations		2,667	14,081
ADJUSTED FOR:						
2,549	1,644	1,806	Depreciation		3,450	4,939
112	93	117	Exploration related costs and Operator G&A		210	226
(8,145)	-	-	Impairment and asset write-off/(impairment reversal)		-	(8,145)
(1,042)	(11,226)	1,949	Loss/(gain) on commodity hedges		(9,277)	3,141
923	767	762	Net finance costs		1,529	2,146
149	240	184	Share-based payments		424	315
85	-	-	Foreign exchange loss/(gain)		-	(132)
606	151	769	Increase/(decrease) in trade and other payables		920	(2,273)
6,865	3,131	(737)	(Increase)/decrease in trade and other receivables		2,394	(841)
(615)	4	(511)	(Increase)/decrease in inventories		(507)	283
-	(613)	(554)	State share of profit oil		(1,167)	-
(1,424)	(1,098)	(965)	Taxes paid	14	(2,063)	(3,873)
10,616	131	(1,551)	Net cash (out)/inflow from operations		(1,420)	9,867
CASH FLOW FROM INVESTING ACTIVITIES						
-	-	-	Cash outflow related to acquisition(s)		-	(510)
(1,084)	(4,930)	(4,129)	Investment in exploration, production and other assets	7	(9,059)	(3,253)
(1,084)	(4,930)	(4,129)	Net cash (out)/inflow from investing activities		(9,059)	(3,763)
CASH FLOW FROM FINANCING ACTIVITIES						
2,460	-	-	Gross proceeds from loans and borrowings		-	2,460
(2,789)	(1,408)	-	Repayment of non-recourse loan		(1,408)	(4,473)
(660)	(720)	(720)	Repayment of Senior Secured loan	12	(1,440)	(660)
(585)	1,118	1,571	Realised gain/(loss) on commodity hedges		2,689	(681)
(565)	(352)	(326)	Borrowing costs, including arrangement fees	12, 13	(678)	(631)
-	(63)	(61)	Lease liability payments		(124)	-
(7)	-	-	Financial income, net of charges paid		-	-
(3)	-	-	Cash held for Bank Guarantee	10	-	(9,960)
(2,149)	(1,425)	464	Net cash (out)/inflow from financing activities		(961)	(13,945)
7,383	(6,224)	(5,216)	Change in cash and cash equivalents during the period		(11,440)	(7,841)
-	3	(3)	Change in cash and cash equivalents - assets held for sale	5	-	-
8,143	20,493	14,272	Cash and cash equivalents at the beginning of the period		20,493	23,367
15,526	14,272	9,053	Cash and cash equivalents at the end of the period		9,053	15,526

The accompanying notes form an integral part of these condensed consolidated financial statements. 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 six months ended</i>							
30 June 2020							
<i>Amounts in USD 000</i>							
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2020 (Audited)	458	349,193	122,131	(355,683)	(37,647)	(5,761)	72,691
Net income/(loss) for the period - continuing operations	-	-	-	8,018	-	-	8,018
Net income/(loss) for the period - discontinued operations	-	-	-	(2,032)	-	-	(2,032)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	5,986	-	-	5,986
Employee share options charge/(benefit)	-	-	240	-	-	-	240
At 31 March 2020 (Unaudited)	458	349,193	122,371	(349,697)	(37,647)	(5,761)	78,917
Net income/(loss) for the period - continuing operations	-	-	-	(4,634)	-	-	(4,634)
Net income/(loss) for the period - discontinued operations	-	-	-	(128)	-	-	(128)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	(4,762)	-	-	(4,762)
Employee share options charge	-	-	184	-	-	-	184
At 30 June 2020 (Unaudited)	458	349,193	122,555	(354,459)	(37,647)	(5,761)	74,338

Attributable to equity holders of the parent

<i>For the six months ended</i>							
30 June 2019							
<i>Amounts in USD 000</i>							
	Issued capital	Share premium	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	-	-	-	(1,417)	-	-	(1,417)
Net income/(loss) for the period - discontinued operations	-	-	-	(106)	-	-	(106)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	(1,523)	-	-	(1,523)
Employee share options charge	-	-	166	-	-	-	166
At 31 March 2019 (Unaudited)	423	333,093	122,244	(367,396)	(37,647)	(5,762)	44,955
Net income/(loss) for the period - continuing operations	-	-	-	8,075	-	-	8,075
Net income/(loss) for the period - discontinued operations	-	-	-	24	-	-	24
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	8,099	-	-	8,099
Employee share options charge	-	-	149	-	-	-	149
At 30 June 2019 (Unaudited)	423	333,093	122,393	(359,297)	(37,647)	(5,762)	53,203

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

The unaudited 2019 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 30 June 2020 were authorised for issue by the Board of Directors on 26 August 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 2019 Annual Report and the Company's Prospectus, published in December 2018. A copy of the 2019 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.

In October 2019, 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 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.

The coronavirus (COVID-19) pandemic has been declared a global emergency by the World Health Organisation (WHO), requiring countries and organisations, including the Group, to take measures to mitigate risk for communities, employees and business operations. The pandemic continues to have a major impact on the global economy. Despite oil prices partially recovering during the second quarter, they remain volatile and it is challenging to predict the full extent and duration of resulting operational and economic impact for the Company and the Group, which makes key assumptions applied in the valuation of our assets and measurement of our liabilities difficult. These key assumptions include commodity prices, changes to demand for and supply of oil and gas, and the discount rate to be applied. The Company is closely monitoring developments, regularly evaluating their impact on the Group's cash flow and liquidity position and responding with targeted measures to protect the Company's economic stability.

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 1Q 2019, the results of Brazilian operations are included within the General and Administrative (G&A) costs within continuing operations. Consequently, the amounts for discontinued operations reclassified to G&A costs for the periods presented is as follows: 2Q 2020: loss of USD 6 thousand; 1Q 2020: gain of USD 10 thousand; 2Q 2019: loss of USD 35 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 2019 Annual Report.

2.2 Principal risks and uncertainties

The Group's activities expose it to a number of risks and uncertainties, which are continuously monitored and reviewed. The main risks and uncertainties are the operational and financial risks described below.

Operational risk

At its current stage of development, Panoro is commercially producing oil and also exploring for and appraising undeveloped known oil and/or natural gas accumulations from its continuing activities in Tunisia and Gabon.

The main operational risk in exploration and appraisal activities is that the activities and investments made by Panoro will not evolve into commercial reserves of oil and gas. The oil price is of significant importance in all parts of operations as income and profitability is and will be dependent on prevailing prices. Significantly lower oil prices will reduce current and expected cash flows and profitability in projects and can make projects sub economic Panoro operates 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.

Another operational risk factor is access to equipment in Panoro's projects. In the drilling/development phase of a project the Group is dependent on advanced equipment such as rigs, casing, pipes etc. A shortage of these supplies can present difficulties for Panoro to complete projects. Through its operations, Panoro is also subject to political risk, environmental risk and the risk of not being able to retain key personnel.

Financial risk

The Group's activities expose it to a variety of financial risks, mainly categorised as exchange rate and liquidity risk. The Group's risks are continuously monitored and analysed by the management and the Board. The aim is to minimise potential adverse effects on the Group's financial performance.

COVID-19 risks

A global pandemic such as the novel coronavirus (COVID-19) can have a severe negative impact on the Group and its ability to conduct operations. Panoro is managed by a small specialised team through its Head Office in London and a Branch Office in Tunis and, as such, Panoro has limited spare resource capacity in case key staff were to fall ill as a result of a viral infection. The Group continues to mitigate the risk by encouraging staff to work from home, the implementation of virtual meetings and minimising any non-critical meetings and interactions as well as limit exposure from travel on public transport.

Travel restrictions and lockdown measures implemented by governments across the world can impact supply chains, movement of key personnel and the ability to utilise external contractors and consultants. The impact of the COVID-19 pandemic continues to have a significant impact on global economic activity and demand for oil. While oil prices recovered slightly during the second quarter, they remain volatile due to supply/demand imbalances and are currently trading around 70 per cent of levels seen at the start of the year. Responses of governments and citizens to developments related to COVID-19 infections around the world may lead to delays in oil price recovery making the duration and financial impact impossible to reliably estimate.

The impact of the COVID-19 outbreak on the economy and energy prices, and the risk to Panoro's ability to conduct its operations profitably and without disruption, is currently subject to significant uncertainty. The lower oil prices will impact Panoro's profitability and cash flows in 2020 and potentially beyond. Given the uncertainty surrounding how long the current negative conditions will prevail, it cannot be ruled out that oil prices remain at or below the current levels and thus have a longer-term impact on the Group's profitability and financial standing. The Company is monitoring and evaluating the impact on its liquidity and cash flow positions, acting where necessary to protect its economic stability and currently believe that the Company's ability to continue as going concern is not impacted. Should lower oil prices persist the risk of an impairment of the Group's oil and gas assets cannot be ruled out.

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2019 Annual Report.

3 SEGMENT INFORMATION

The Group continuing operations are classified into 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:
 - TPS Assets: ETAP, 51% and Panoro TPS Production GmbH, 49% (29.4%* interest net to Panoro).
 - 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.

**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 7.4997% working interest in the Dussafu Marin exploration licence in Gabon
- 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.

Q2 2019	Q1 2020	Q2 2020		YTD 2020	YTD 2019
(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)

OPERATING SEGMENTS - GROUP NET SALES

Q2 2019	Q1 2020	Q2 2020		YTD 2020	YTD 2019
(Unaudited)	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)
1,162	1,178	1,148	Net average daily production - TPS assets (bopd)	1,163	1,159
1,008	864	1,199	Net average daily production - Dussafu (bopd)	1,032	1,025
2,170	2,042	2,347	Total Group Net average daily production (bopd)	2,194	2,184
28,411	27,385	114,244	Oil sales (bbls) - Net to Panoro - TPS assets, Tunisia	141,629	146,901
62,735	43,636	54,320	Oil sales (bbls) - Net to Panoro - Dussafu, Gabon	97,956	178,885
91,146	71,021	168,564	Total Group Net Sales (bbls) - continuing operations	239,585	325,786

Discontinued operations

362	264	258	Net average daily production - Aje (bopd)	261	373
44,122	63,049	-	Oil sales (bbls) - Net to Panoro - Aje, Nigeria	63,049	92,842

OPERATING SEGMENT - NORTH AFRICA

in USD 000

803	851	(570)	EBITDA	281	5,572
941	988	917	Depreciation and amortisation	1,905	1,761
75,938	77,837	74,196	Segment assets	74,196	75,938

OPERATING SEGMENT - WEST AFRICA - GABON

in USD 000

2,651	960	12	EBITDA	972	10,471
(8,145)	-	-	Impairment of E&E Assets - Charge/(Reversal)	-	(8,145)
556	610	828	Depreciation and amortisation	1,438	1,182
52,780	48,210	48,764	Segment assets	48,764	52,780

CORPORATE

in USD 000

535	(1,501)	854	EBITDA	(647)	(1,755)
130	46	61	Depreciation and amortisation	107	134
7,563	10,234	7,229	Segment assets	7,229	7,563

TOTAL - CONTINUING OPERATIONS

in USD 000

3,989	310	296	EBITDA	606	14,288
(8,145)	-	-	Impairment of E&E Assets - Charge/(Reversal)	-	(8,145)
1,627	1,644	1,806	Depreciation and amortisation	3,450	3,077
136,281	136,281	130,189	Segment assets	130,189	136,281

Nigeria - Discontinued operations

in USD 000

24	(2,032)	(128)	Net income/(loss) for the period-Discontinued operations	(2,160)	(82)
-	19,643	20,452	Assets classified as held for sale (Note 5)	20,452	-
-	(17,100)	(18,027)	Liabilities directly associated with assets classified as held for sale (Note 5)	(18,027)	-

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

Q2 2019	Q1 2020	Q2 2020		YTD 2020	YTD 2019
(Unaudited)	(Unaudited)	(Unaudited)	Amounts in USD 000	(Unaudited)	(Unaudited)
949	1,618	1,201	General and Administrative Costs - Corporate, London and Tunis	2,819	2,325
91	66	(10)	Non-Recurring Transaction Costs	56	91
1,040	1,684	1,191	Total General and Administrative Related Costs	2,875	2,416

Non-recurring costs related to integration activities and costs incurred for an internal restructuring to streamline the group structure. 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:

Q2 2019	Q1 2020	Q2 2020		YTD 2020	YTD 2019
(Unaudited)	(Unaudited)	(Unaudited)	Amounts in USD 000, unless otherwise stated	(Unaudited)	(Unaudited)
DISCONTINUED OPERATIONS					
3,039	1,119	-	Oil revenue	1,119	6,302
3,039	1,119	-	Total revenues	1,119	6,302
(1,925)	(2,990)	(1)	Operating costs	(2,991)	(4,188)
(31)	(30)	(16)	General and administrative costs	(46)	(57)
(922)	-	-	Depreciation, depletion and amortisation	-	(1,862)
-	-	-	(Impairment) / reversal of impairment for Oil and gas assets	-	-
161	(1,901)	(17)	EBIT - Operating income/(loss)	(1,918)	195
(113)	(107)	(87)	Interest costs net of income	(194)	(223)
(24)	(24)	(24)	Other financial costs net of income	(48)	(54)
24	(2,032)	(128)	Net income/(loss) before tax	(2,160)	(82)
-	-	-	Income tax benefit/(expense)	-	-
24	(2,032)	(128)	Net income/(loss) for the period from discontinued operations	(2,160)	(82)
EARNINGS PER SHARE					
0.00	(0.03)	(0.00)	Basic and diluted EPS on profit for the period attributable to equity holders of the parent (USD) from discontinued operations	(0.03)	(0.00)

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 since 4Q 2019. The carrying value of the assets and liabilities designated as held for sale at the balance sheet dates presented are summarised below:

<i>Amounts in USD 000</i>	As at	As at	As at
	30 June 2020 (Unaudited)	31 March 2020 (Unaudited)	31 December 2019 (Audited)
Assets held for sale			
Licenses and exploration assets	12,179	12,179	12,179
Production assets and equipment	7,405	7,405	7,405
Crude oil inventory	812	-	1,294
Trade and other receivables	9	15	-
Cash and cash equivalents	47	44	47
Total assets held for sale	20,452	19,643	20,925
Liabilities held for sale			
Decommissioning liability	(3,285)	(3,260)	(3,237)
Other non-current liabilities	(7,830)	(7,830)	(7,830)
Accounts payable, accruals and other liabilities	(98)	(120)	(99)
Aje Payable - Current portion	(6,814)	(5,890)	(5,209)
Total liabilities directly associated with assets classified as held for sale	(18,027)	(17,100)	(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.

Further details of Aje related payables are available in the 2019 Annual Report on page 59, Note 13.

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.

Q2	Q1	Q2		YTD	YTD
2019	2020	2020		2020	2019
(Unaudited)	(Unaudited)	(Unaudited)	<i>Amounts in USD 000 - unless stated otherwise</i>	(Unaudited)	(Unaudited)
8,099	5,986	(4,762)	Net profit/(loss) attributable to equity holders - Total	1,224	6,576
8,075	8,018	(4,634)	Net profit/(loss) attributable to equity holders - Continuing operations	3,384	6,658
62,388	68,800	68,800	Weighted average number of shares outstanding - in thousands	68,800	62,388
63,096	69,679	68,800	Diluted weighted average number of shares outstanding - in thousands	69,949	63,096
0.13	0.09	(0.07)	Basic earnings per share (USD) - Total	0.02	0.11
0.13	0.09	(0.07)	Diluted earnings per share (USD) - Total	0.02	0.10
0.13	0.12	(0.07)	Basic earnings per share (USD) - Continuing operations	0.05	0.11
0.13	0.12	(0.07)	Diluted earnings per share (USD) - Continuing operations	0.05	0.11

At 30 June 2020 there were 1,149,150 potentially dilutive Restricted Share Units (RSUs) which are included in the calculation of YTD diluted earnings per share (31 March 2020: 878,808; 31 December 2019: 878,808; at 30 June 2019: 708,723 potentially dilutive RSUs).

7 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	Total assets
At 1 January 2020 (Audited)	19,760	28,876	5,915	30,979	85,530
Development assets additions / (disposals)	-	-	4,122	-	4,122
Adjustments to asset retirement estimates	-	-	-	546	546
Exploration and evaluation assets additions	248	-	-	-	248
Production assets additions / (disposals)	-	-	-	492	492
Impairment (charge)/reversal	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-
Depreciation/write-off's during the period	-	(604)	(14)	(968)	(1,586)
Balance at 31 March 2020 (Unaudited)	20,008	28,272	10,023	31,049	89,352
Development assets additions / (disposals)	-	-	2,930	-	2,930
Adjustments to asset retirement estimates	-	-	-	-	-
Exploration and evaluation assets additions	633	-	-	-	633
Production assets additions / (disposals)	-	-	-	517	517
Impairment (charge)/reversal	-	-	-	-	-
Transfer to assets held for sale	-	-	-	-	-
Depreciation/write-off's during the period	-	(588)	(13)	(1,179)	(1,780)
Balance at 30 June 2020 (Unaudited)	20,641	27,684	12,940	30,387	91,652
At 1 January 2019 (Audited)	15,197	31,082	632	41,612	88,523
Development assets additions / (disposals)	-	-	-	-	-
Adjustments to asset retirement estimates	-	-	(12)	771	759
Exploration and evaluation assets additions	147	-	-	-	147
Production assets additions / (disposals)	-	-	-	-	-
Impairment (charge) / reversal	-	-	-	2,022	2,022
Transfer to assets held for sale	-	-	-	-	-
Depreciation/write-offs during the period	-	(560)	(12)	(1,759)	(2,331)
Balance at 31 March 2018 (Unaudited)	15,344	30,522	608	42,646	89,120
Development assets additions / (disposals)	-	-	262	-	262
Exploration and evaluation assets additions	147	-	-	-	147
Production assets additions / (disposals)	-	-	1,988	(1,988)	-
Impairment (charge) / reversal	-	-	-	66	66
Transfer to assets held for sale	8,145	-	-	-	8,145
Depreciation/write-offs during the period	-	(584)	-	(1,839)	(2,423)
Balance at 30 June 2019 (Unaudited)	23,636	29,938	2,858	38,885	95,317

8 FAIR VALUE OF COMMODITY HEDGES

The Group has a commodity hedging program in place 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		Fair value Asset / (Liability)	Fair value Asset / (Liability)
			Buy Put (USD/Bbl)	Sell Call (USD/Bbl)		
		Bbls	Buy Put (USD/Bbl)	Sell Call (USD/Bbl)	Current (USD '000)	Non-Current (USD '000)
At 31 December 2019 (audited)	Jan 20 - Dec 21	486,864	55.00	60.94	(888)	(106)
At 31 March 2020 (unaudited)	Apr 20 - Dec 21	450,006	55.00	60.94	6,085	2,943
At 30 June 2020 (unaudited)	Apr 20 - Dec 21	389,148	55.43	61.22	3,885	1,623

Commodity Swaps instruments	Maturity	Remaining contract amount	Average contract price		Fair value Asset / (Liability)
			Bbls	Settlement price ceiling (USD/Bbl)	
		Bbls	Settlement price ceiling (USD/Bbl)	Current (USD '000)	
At 31 December 2019 (audited)	March 2020	24,000	61.01	(86)	
At 31 March 2020 (unaudited)	-	-	-	-	
At 30 June 2020 (unaudited)	-	-	-	-	-

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 June 2020 amounted to USD 9.1 million, USD 14.3 million at 31 March 2020 and USD 20.5 million at 31 December 2019. 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

In 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 30 June 2020, 31 March 2020 and 31 December 2019.

11 SHARE CAPITAL

As of 30 June 2020, 31 March 2020 and 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.

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:

	30 June 2020	31 March 2020	31 December 2019
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Senior Loan facility - Non-current	11,640	12,510	13,380
Senior Loan facility - Current	3,900	3,750	3,600
Accumulated interest accrued - Current	292	325	352
Total Senior Loan facility	15,832	16,585	17,332
Unamortised borrowing costs - Non-current	(295)	(321)	(289)
Unamortised borrowing costs - Current	(98)	(97)	(155)
Total Unamortised borrowing costs	(393)	(418)	(444)
Total Senior Loan facility	15,439	16,167	16,888

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 the ring-fenced asset holding company (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.

Subject to certain waivers in place, the Group was not in breach of any financial covenants as at any of the balance sheet dates presented.

Un-amortised borrowing costs include structuring fees and directly attributable third-party costs. During the current quarter, these costs are expensed using an effective interest rate of 7.4% per annum over the remaining term of the facility (effective interest rate for quarter ended 31 December 2019: 9.8%).

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:

	30 June 2020	31 March 2020	31 December 2019
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
BW Energy non-recourse loan - Non-current	6,442	6,442	3,380
BW Energy non-recourse loan - Current	512	385	4,729
Total carrying value	6,954	6,827	8,109

The non-recourse 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. The repayment period has started after achieving production on Dussafu and will be repaid from Panoro's portion of upcoming crude oil sales. During the repayment phase, Panoro will still be entitled to its share of profit oil from the Dussafu operations.

For the purpose of classification in the Group's statement of financial position, USD 6.4 million of the entire loan balance has been categorised in non-current portion due to expected low oil price assumptions. Since the repayment of the loan is linked to production and, impacted by oil prices and operating expenses, judgement has been exercised in estimation of these values. The actual repayments may therefore vary from the estimates in current and non-current portions recognised as of the date of the statement of financial position.

14 INCOME TAX

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

Q2 2019	Q1 2020	Q2 2020		YTD 2020	YTD 2019
<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
1,479	613	554	Effect of taxes under PSA arrangements - Gabon	1,167	3,921
464	507	5	Current income tax charge/(credit) - Tunisia	512	3,038
1	-	(5)	Other Corporate	(5)	8
510	(68)	(163)	Deferred tax charge/(credit)	(231)	538
2,454	1,052	391	Total tax charge	1,443	7,505

Corporation tax liability of USD 3.4 million at 30 June 2020, USD 4.4 million at 31 March 2020 and USD 5 million at 31 December 2019 comprised entirely of taxes due in Tunisia on income from TPS assets.

Deferred tax liability has arisen on temporary differences between tax base and accounting base of the production assets in Tunisia and has been calculated using the effective tax rate applicable to the concessions.

15 SUBSEQUENT EVENTS

On 9 July 2020, 222,401 shares in the Company were issued under the RSU plan, taking the total number of shares to 69,022,259 with a registered capital of NOK 3,451,112.95 at that date.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of 30 June 2020 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

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	

OTHER INFORMATION

GLOSSARY AND DEFINITIONS

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bopd	Barrels of oil per day
Kbopd	Thousands of barrels of oil per day
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.



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