



Panoro Energy

HALF YEAR REPORT 2021

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HIGHLIGHTS AND EVENTS

First half 2021 Highlights and Events

Panoro Energy ASA (“Panoro” or the “Company” with OSE Ticker: PEN) today announced that, on a pro-forma basis, revenues for the first half stood at USD 105.8 million and EBITDA USD 65.9 million. Working interest production on a pro-forma basis was approximately 7,700 bopd.

On an IFRS Reporting Basis, gross revenues were USD 34.9 million, EBITDA USD 28.2 million and working interest production approximately 4,500 bopd in the first half.

At 30 June 2021, cash at bank was USD 93.1 million (including USD 10 million cash held for bank guarantee) and gross debt USD 104.3 million, resulting in a net debt position of USD 11.2 million.

In Equatorial Guinea the first of three planned infill wells at the Okume Complex was completed, encountering good quality oil saturated reservoir sands. Drilling of the second well is underway and all three wells are expected onstream in the fourth quarter.

In Gabon, completion and tie-in of the DTM-6H and DTM-7H production wells is underway with production start-up expected in the fourth quarter. The DHBNM-1 Hibiscus North exploration well has made an oil discovery in the Upper Gamba Sandstone.

In Tunisia current gross production is above the 5,000 bopd level with a number of well operations planned at El Ain and Cercina.

In South Africa the operator of Block 2B plans to spud the Gazania-1 exploration well before year end.

Panoro continues to make progress towards the sale of its interest in OML 113 and the Aje field to PetroNor E&P. Due to Covid related delays the long stop date was extended to allow additional time for the statutory approvals process to complete. Upon completion Panoro will dividend shares in PetroNor E&P received as consideration to shareholders.

Panoro expects working interest production to climb to a level of approximately 9,500 bopd by year end as the five new production wells in Equatorial Guinea and Gabon start to contribute. Full year average working interest production on a pro-forma basis is expected to be 7,900 to 8,400 bopd. Capital expenditures for 2021 (excluding acquisition costs) are expected to be USD 45 million, of which USD 6.9 million was spent in the first half.

Financial Highlights and Key metrics for Half Year 2021

Metric	IFRS Reporting Basis	Pro-forma Basis
Net Production (approximate)	4,500 bopd	7,700 bopd
Gross revenue	USD 34.9 million	USD 105.8 million
Number of liftings	5 International 4 Domestic	6 International 4 Domestic
EBITDA	USD 28.2 million <i>(Includes overlift reversal to income of USD 25 million)</i>	USD 65.9 million
EBIT	USD 66.6 million <i>(Gain on acquisition of additional 10% working interest in Dussafu Permit contributed to USD 48.5 million of income recognised under IFRS 3)</i>	USD 100 million <i>(after DD&A on a historical basis. Following completion of acquisitions, DD&A will be higher due to depletion of sizeable fair value uplift adjustments made on the purchase price allocation of business combinations)</i>
Cash balance <i>(including USD 10 million held for bank guarantee)</i>	USD 93.1 million	-
Receivables from crude oil sales	USD 21.9 million <i>(Almost USD 19.4 million realised in 3Q)</i>	-
Gross Debt	USD 104.3 million	-

In February 2021, Panoro announced two transformational acquisitions of assets in West Africa. On 31 March 2021, the acquisition of Tullow Equatorial Guinea Limited (“TEGL”) (the “EG Transaction”) was completed and has been recognised in the balance sheet of the Group in accordance with IFRS 3. The results of TEGL up to 31 March 2021 have not been consolidated and have only been included from the date of completion.

In June 2021, the transaction to acquire an additional 10% working interest in Dussafu permit (the “Dussafu Transaction”) was completed. No results up to the completion date of 9 June 2021 have been included in the consolidated income statement of the Company’s Half Year results ending 30 June 2021. The fair value of the acquired assets and liabilities in connection with the Dussafu Transaction have been included as of the acquisition date in Panoro’s statement of financial position. Under the requirements of IFRS 3 “Business Combinations” any excess of fair value of net assets acquired over the consideration paid is recognised in the income statement as gain on acquisition of business, which was USD 48.5 million for this transaction. Such gain has arisen due to significant increase in oil prices between effective date and completion date of the Dussafu Transaction.

In order to provide insights into the performance of the Group’s existing operations combined with the Company’s aforementioned acquisitions in West Africa, certain unaudited key information has been prepared and included in the highlights on a pro-forma basis after including the results and operations of both transactions from 1 January 2021 and up to the respective completion dates.

The pro-forma information above is prepared for indicative purposes only and should not be construed as past performance of the Group or be seen as a forward-looking guidance. The purpose of this information is solely to provide illustration and highlight the key metrics of the business on an indicative basis after considering potential acquisitions.

Operational Highlights

Equatorial Guinea

- › Average first half production of approximately 29,700 bopd gross (4,200 bopd net on a pro forma basis)
- › The Okume upgrade project is expected to be completed in the fourth quarter and will contribute additional power, water injection and gas lift capacity necessary for further de-bottlenecking of the facilities and additional electrical submersible pumps (ESPs)
- › In April 2021 one ESP conversion was completed with additional ESP conversions planned following completion of the Okume upgrade project
- › Drilling of the first of three planned infill wells in the Okume Complex completed, encountering good quality oil saturated reservoir sands. The rig now moved to the second well location. All three wells are expected onstream in the fourth quarter

- › The partners are now focussed on defining further production growth activities in 2022 and beyond, comprising additional development drilling and workover activity
- › One crude lifting in March of 903,168 barrels sold at USD 65 per barrel

Gabon

- › Average first half production of approximately 12,000 bopd gross (2,100 bopd net on a pro forma basis)
- › Successful completion of the DTM-7H Tortue production well
- › Three crude oil liftings in 1H, sold at an average USD 70 per barrel with operator reported production cost (excluding royalties) of USD 27.50 per barrel
- › Post period end, the DHBNM-1 Hibiscus North exploration well has made an oil discovery in the Upper Gamba Sandstone. Drilling operations will continue to test secondary targets in the deeper Dentale Formation after which logging operations will be undertaken and a side-track drilled to delineate the discovery

Tunisia

- › Average first half production In Tunisia of 4,535 bopd gross on average during the quarter (1,333 bopd net)
- › The El Ain field is now producing on a continuous basis following an ESP installation in the EL AIN-3SD well. Workovers of CER-3 and GUE-2 to replace failed ESPs were also completed during the quarter
- › Two international liftings of 202,000 bbls net to Panoro were completed during the six months ended 30 June 2021, achieving an average price of USD 67 per barrel. Additional domestic liftings also supplemented the revenues for this period
- › Joint study in progress with partner ETAP to update subsurface models and plan further development of the Guebiba Field

Corporate Highlights

- › Completion of acquisition from Tullow Oil plc of a 14.25% working interest in Block G, offshore Equatorial Guinea (“EG Transaction”) and the acquisition of an additional 10% working interest in Dussafu Marin Permit, offshore Gabon (“Dussafu Transaction”)
- › Equity private placement and subsequent offering during the quarter with net proceeds of USD 77.1 million
- › USD 90 million debt facility with Trafigura/MCB fully drawn down and used to fund the EG Transaction and the Dussafu Transaction
- › Completion of farm-in of 12.5% working interest in Block 2B, offshore South Africa in April 2021

Outlook and Guidance

- › Five new production wells to be brought onstream during 2H 2021 (three in Equatorial Guinea and two in Gabon)
- › Working interest production expected to climb to approximately 9,500 bopd by year end as new wells start to contribute
- › Production growth activity in Tunisia to continue with a number of workovers planned
- › Hibiscus North exploration well result expected in Q3
- › Drilling of Gazania-1 exploration well in Block 2B expected to commence by end of 2021
- › Three international liftings expected in 4Q 2021 (none in 3Q 2021)
- › 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 to 8 June 2021; 17.5% after 9 June 2021)

Production for the Tortue field averaged a gross rate of approximately 10,500 bopd during 2Q 2021 compared to approximately 13,600 bopd during 1Q 2021. Production during the quarter was affected by a planned maintenance shutdown. Average production for the first half of 2021 was approximately 12,000 bopd gross (2,100 bopd net).

The final horizontal production well of Tortue Phase 2, DTM-7H, was successfully completed during the quarter. The well penetrated high quality oil-bearing sands in the main Gamba reservoir in line with prognosis. The DTM-7H well, along with the DTM-6H well, which was successfully drilled in the Dentale formation at Tortue in 2020, are planned to be brought online early in the fourth quarter of 2021. Current production at Tortue is in excess of the Q2 average and expected to rise once DTM-6H and DTM-7H are online in early Q4.

The DHBNM-1 exploration well, to test the Hibiscus North prospect, was spud shortly after the end of the quarter. Initial results indicate that the well has encountered approximately 13.5 metres of oil-bearing reservoir in the Upper Gamba sandstone, the primary target reservoir. Drilling will continue through the secondary Dentale target to a total depth of approximately 3,500 metres. Once total depth is reached, logging operations and evaluation of the oil discovery will be undertaken, after which Panoro expects a side-track of DHBNM-1 to be drilled to further appraise the field. DHBNM-1 is located approximately 6 km north-northeast of the Hibiscus discovery well DHIBM-1 in a water depth of 115 metres.

Two crude liftings in Q2 were completed as per guidance, 248,000 net barrels (on a pro-forma basis including the effects of the Tullow acquisition completed in June) were lifted with an average realized price of \$71.49 per barrel. In comparison, there was one lifting in 1Q of 56,000 net barrels with a realised price of USD 66.70 per barrel. Operating costs were temporarily impacted by lower production in the quarter and COVID related costs.

Hibiscus/Ruche Phase 1 is planned as the next phase of development at the Dussafu block. Hibiscus/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. Hibiscus/Ruche Phase 2 is planned to consist of a further 6 development wells. Engineering activities for Hibiscus/Ruche Phase 1 are underway and first oil is now targeted for 4Q 2022. The development plan, including the refurbishment of a jack-up rig as the Hibiscus Alpha platform, is expected to have a break-even oil price for the Hibiscus/Ruche Phase 1 and 2 of approximately USD 25 per barrel.

Equatorial Guinea

Block G: Panoro Energy (14.25% interest)

Production in Equatorial Guinea averaged approximately 29,100 bopd gross in the second quarter of 2021. Average first half 2021 production was approximately 29,700 bopd gross (4,200 bopd net). Panoro did not lift a cargo from Equatorial Guinea during the second quarter.

The Okume upgrade project is expected to be completed in the fourth quarter and will contribute additional power, water injection and gas lift capacity necessary for further de-bottlenecking of the facilities and additional electrical submersible pumps (ESPs). In April 2021 one ESP conversion was completed with additional ESP conversions planned following completion of the Okume upgrade project.

Drilling of the first of three planned infill wells in the Okume Complex has been completed. The well encountered good quality oil saturated reservoir sands. The rig has now moved to the second well location and hookup has commenced for the first well. All three wells are expected onstream in the fourth quarter. Following the drilling activity, the rig will be used to replace a failed ESP in a shut-in well.

At Ceiba, a major infrastructure integrity project has been completed, which is expected to improve reliability and allow greater flexibility for gas lift to additional wells.

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

Production from the TPS assets for the quarter has averaged approximately 4,600 bopd gross, compared to approximately 4,500 bopd during 1Q 2021. Average first half production in Tunisia of 4,535 bopd gross (1,333 bopd net).

The El Ain field is now producing on a continuous basis following an ESP installation in the EL AIN-3SD well for the first time. Work is now in progress to commence production of the EL AIN-1 well.

Two further workovers were completed during the quarter. As part of the CER-3 workover to replace a failed ESP, a BaSO₄ treatment and acid stimulation were successful in boosting the productivity of the well. Other wells on the field that may benefit from a similar treatment are now being identified.

Net to Panoro, there were one international lifting of approximately 106,000 bbls in 2Q 2021 and 1 international lifting of 96,000 in 1Q 2021 with average realised prices of USD 74 and USD 59 per barrel respectively.

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

Panoro has reached an 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.

Operational activities are yet to commence on SMW-1 pending approvals and Government guidance on the operational plans and subsequent timeline and obligations for the permit.

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).

¹ Panoro and Beender Petroleum Tunisia Limited (“Beender”) 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.

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 159 bopd during the quarter compared to an average of 171 in 1Q 2021. 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 lifting of 220,000 barrels was carried out in April. 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 16.6 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.

South Africa

Block 2B: Azinam (Operator), Panoro Energy (12.5% interest)

On Block 2B, Azinam is advancing on a rig contract to drill the Gazania-1 oil exploration well offshore South Africa this year. Block 2B has significant contingent and prospective resources in shallow water close to shore and includes the A-J1 discovery from 1988 that flowed light sweet crude oil to surface. Gazania-1 will target two prospects in a relatively low-risk rift basin oil play up-dip from the discovery.

Corporate

The Group completed the acquisition from Tullow Oil plc of a 14.25% working interest in Block G, offshore Equatorial Guinea ("EG Transaction") and the acquisition of an additional 10% working interest in Dussafu Marin Permit, offshore Gabon ("Dussafu Transaction").

The half year ended with total debt (including unamortised borrowing cost) of USD 104.3 million and cash of 93.1 million, including USD 10 million held for the SOEP guarantee. The Group drew down two tranches totalling USD 90 million under a Senior Secured Reserve Based Lending Facility with MCB/Trafigura. These drawdowns were utilised to fund the completion of the EG Transaction and the Dussafu Transaction. The Group repaid USD 1.4 million of the Mercuria Senior Loan facility during the six months ended 30 June 2021; additionally USD 2.3 million of BW Energy non-recourse loan was repaid in the same period.

An equity private placement and subsequent offering with net proceeds of USD 77.1 million was also completed during the period.

The Group also completed the farm-in of 12.5% working interest in Block 2B, offshore South Africa in April 2021.

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.

FINANCIAL INFORMATION

Statement of Comprehensive Income review

Underlying Operating Profit/(Loss) before tax is considered by the Group to be a useful Non-GAAP financial 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 2020	Q1 2021	Q2 2021		YTD 2021	YTD 2020
(Unaudited)	(Unaudited)	(Unaudited)	Amounts in USD 000	(Unaudited)	(Unaudited)
(4,243)	654	58,380	Net income/(loss) before tax - continuing operations	59,034	4,827
184	231	246	Share based payments	477	424
(10)	439	696	Non-recurring costs	1,135	56
-	-	(48,461)	Gain on acquisition of business	(48,461)	-
3,520	1,638	2,571	Unrealised (gain)/loss on commodity hedges	4,209	(6,588)
(549)	2,962	13,432	Underlying operating profit/(loss) before tax	16,394	(1,281)

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.

Year-to-date 2021 versus year-to-date 2020

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

Panoro Energy reported a positive EBITDA from continuing operations of USD 28.2 million in the first half of 2021, compared to USD 0.6 million in the first half of 2020. Higher EBITDA in the first half of 2021 is primarily driven by higher oil prices in 2021 compared to 2020 as well as the effect of the Dussafu Transaction where Panoro's revenue and production entitlement increased post-acquisition. In addition, there were more liftings in 2021 with three international liftings each in Gabon and Tunisia, compared to one in Tunisia and two in Gabon during the same period in 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 2021 was USD 34.9 million compared to USD 8.5 million in 1H 2020. This comprised USD 32.7 million of oil sales revenue (2020: USD 7.4 million) and USD 2.2 million of other revenue (2020: USD 1.2 million). Oil sales revenue was generated through the sale of 486,964 barrels during the first six months of 2021 (1H 2020: 239,577 barrels) comprising three export and four domestic liftings for TPS assets (1H 2020: 1 international; 4 domestic) and three liftings for Dussafu (1H 2020: 2).

Other revenue amounted to USD 2.2 million for the first half of 2021 and USD 1.2 million for the same period in 2020. 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 32.7 million for the first half of 2021, USD 16.2 million was from Dussafu and USD 16.5 million from the Group's Tunisian assets. This compares to USD 7.4 million for the first half of 2020, where USD 3.7 million was from Dussafu and USD 3.7 million from the Group's Tunisian assets.

Operating and other costs attributable to continuing operations of the Group were USD 0.9 million in the first half of 2021 compared to USD 4.9 million in 1H 2020, a decrease of USD 2.5 million. The decrease, despite an increase in production is primarily driven by a USD 25 million reversal of oil inventory overlift position acquired with EG Transaction which was measured at fair value in accordance with IFRS 3. This remaining liability balance of overlift position is expected to reverse out completely within the second half of the year and any future overlifts will be recognised at production cost per barrel in accordance with the Group's accounting policy and are therefore expected to be much lower in value.

General and Administrative (G&A) costs from continuing operations increased to USD 5.8 million in 2021 from USD 3.1 million in the first six months of 2020, reflecting phasing and cyclicity of the timing of some annual overheads with increased activity in 2021 to manage the larger asset portfolio.

Non-recurring transaction costs in the first half of 2021 were USD 1.1 million compared to USD 56 thousand in the same period of the previous year. Non-recurring primarily included costs associated with acquisition and integration activities and activities to streamline the overall group structure. These all relate to the Group's continuing operations.

Exploration related costs were slightly down across the two reported six-month periods at USD 80 thousand, reflecting decreased activity levels.

DD&A charge for the Group's assets attributable to continuing operations increased by USD 6 million to USD 9.6 million in the current period compared to USD 3.5 million in the first half of 2020. The increase is due to the additional depreciation following the completion of the EG Transaction and Dussafu Transactions which increased the cost base, resulted in higher production entitlements, all resulting in higher DD&A charges.

A gain on acquisition of business amounting to USD 48.5 million is included in the statement of comprehensive income. This represents excess of fair value of the acquired net assets over consideration paid and related to the Dussafu Transaction as described in note 5, which is recognised in line with the requirements of IFRS 3. The significant one-off fair value uplift in excess of purchase consideration was mainly a result of substantial increase in oil prices from the time the deal was agreed for Dussafu Transaction versus the prevailing oil prices at the time of completion of the transaction when the fair value was determined for acquisition purposes.

EBIT from continuing operations for the first six months of 2021 was thus USD 66.6 million compared to a negative USD 3.3 million in 1H 2020.

Net financial items from continuing operations amounted to a loss of USD 7.6 million in the first half of 2021, compared to a gain of USD 8.1 million in the first half of 2020. The primary driver for this change is due to loss on commodity hedges of USD 4.9 million which is a direct result of higher oil prices in the current period. In comparison, commodity

hedged resulted in a gain of USD 9.2 million in the same period of 2020. Interest expense on external debt for the first half of 2021 was USD 2.1 million compared to USD 0.9 million in the same period of 2020 reflecting the effect of the new USD 90 million loan facility.

Profit before tax for the first half from continuing operations was therefore USD 59 million compared to USD 4.8 million in the first half of 2020.

First half net profit after tax from continuing operations was USD 54.5 million, compared to net profit after tax of USD 3.4 million in 2020.

Income taxes increased to USD 4.5 million for the first six months of 2021 from USD 1.4 million in the same period of 2020. These tax charges consisted of USD 2.2 million (2020: USD 1.2 million) representing State profit oil under the terms of the Dussafu PSC and USD 3.5 million (2020: USD 0.2 million) for taxes on profits for the Group's Tunisian Operations. The higher taxes in the current period are a function of increased profits.

Underlying operating profit before tax from continuing operations for first six months of 2021 was USD 15.9 million compared to a loss of USD 1.3 million for the same period 2020 (see page 9).

Statement of Financial Position review

Movements to 30 June 2021 from 31 December 2020

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 462.1 million at 30 June 2021, an increase of USD 367 million from USD 95.2 million at 31 December 2020.

This movement is driven by the completion of the EG Transaction and Dussafu Transaction which added the fair value of non-current assets acquired, outlined in note 5, to the balance sheet. Goodwill of USD 47.7 increased predominantly due to acquisition accounting of the EG Transaction.

Current assets

Current assets amount to USD 138.8 million as of 30 June 2021, compared to USD 33.8 million at 31 December 2020.

Crude oil inventory at 30 June 2021 of USD 5.6 million relates to un-expensed operating costs for unsold physical barrels, compared to USD 1.3 million at 31 December 2020. This is after taking into account any over and under-lift volumes as of the end of the respective periods which is recognised separately under receivables or payables. Approximately USD 10 million was added to Materials inventory as part of the EG and Dussafu transactions.

Trade and other receivables increased by USD 14.9 million to USD 25.8 million at 30 June 2021, being a result of liftings close to the half year end, higher oil prices and an additional 10% working interest entitlement from Dussafu lifting in June which was the first lifting following completion of acquisition.

Fair value of commodity hedges representing the fair value of unrealised hedges shows a receivable balance of USD 1.4 million at 31 December 2020 compared to nil balance at 30 June 2021. The change reflects the effect of the increase in oil prices that are above the strike price of the instruments.

Cash and bank balances stood at USD 93.1 million compared to USD 15.6 million at 31 December 2020. The increase is due to collection of trade receivables, the recent equity fund raising and drawdown on new loan facilities, offset by payments made for acquisitions and operations. There also have been a larger than normal number of liftings during 1H resulting in higher cash balances at 30 June 2021 and the collection of USD 59 million cargo proceeds from EG cargo sold prior to completion of EG Transaction.

Included in the cash balance is a USD 10 million cash collateralised bank guarantee posted as security for the drilling of the SOEP well in Tunisia. 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 2021 and 31 December 2020.

Aje related assets of USD 20.4 million (31 December 2020: 20.5 million) are classified as held-for-sale.

Equity

Equity as at 30 June 2021 amounts to USD 199.3 million compared to USD 67.9 million at the end of December 2020. This increase is mainly due to increase in share capital and premium via an equity private placement and subsequent offering of USD 80 million during the period and results for the first six months of the year which includes USD 48.5 million gain on acquisition of business in connection with the acquisition of 10% additional working interest in Dussafu Marin Permit.

Non-current liabilities

Total non-current liabilities are USD 329.8 million as at 30 June 2021 compared to USD 44.3 million at 31 December 2020.

Non-current portion of external loan facilities increased from USD 12.7 million at 31 December 2020 to USD 85.5 million at 30 June 2021. This included USD 90 million drawdown under the new MCB/Trafigura Senior Secured Reserve Based Lending Facility.

Decommissioning liabilities of USD 151.6 million were USD 130 million higher than at 31 December 2020. The increase of USD 128.8 million was contributed by additions through the EG Transaction and Dussafu Transaction (see note 5), with the remaining increase arising from the usual unwinding of discount on such liabilities.

Deferred tax liabilities increased from USD 3.2 million on 31 December 2020 to USD 75.6 million at 30 June 2021. This increase was mainly a result of the acquisition activity mentioned above, where USD 15.2 million and USD 58.8 million was recognised as part of the accounting for EG Transaction and the Dussafu Transaction (see note 5) under IFRS 3.

Current liabilities

Current liabilities amounted to USD 72.9 million at 30 June 2021 compared to USD 18.2 million at the end of December 2020, an increase of USD 54.7 million. This increase is mainly a result of USD 18.6 million additional trade creditors due to increased activity, USD 10.1 million addition in short term portion of external loans due to increased debt in the group, USD 16.1 million additional corporation tax liability reflecting higher profits which predominantly includes the accrual for 2020 tax payments in EG that was acquired as part of the EG Transaction. In addition, the crude oil overlift liability was USD 6.4 million higher, the fair value of commodity hedges increased by USD 2.2 million with the remaining USD 1.2 million reflecting the activity levels of the larger organisation.

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 2020.

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 2020 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.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

Q2 2020	Q1 2021	Q2 2021			YTD 2021	YTD 2020
(Unaudited)	(Unaudited)	(Unaudited)	Amounts in USD 000	Note	(Unaudited)	(Audited)
5,127	11,847	23,060	Total revenues		34,907	8,543
(3,523)	(3,987)	3,052	Operating expenses	4	(935)	(4,852)
(1,308)	(2,512)	(3,256)	General and administrative costs		(5,768)	(3,085)
296	5,348	22,856	EBITDA		28,204	606
(1,806)	(1,885)	(7,679)	Depreciation, depletion and amortisation	5	(9,564)	(3,450)
(184)	(231)	48,215	Other non-operating items	5	47,984	(424)
(1,694)	3,232	63,392	EBIT - Operating income/(loss)		66,624	(3,268)
(2,549)	(2,578)	(5,012)	Financial costs net of income		(7,590)	8,095
(4,243)	654	58,380	Profit/(loss) before tax		59,034	4,827
(391)	(1,797)	(2,757)	Income tax expense		(4,554)	(1,443)
(4,634)	(1,143)	55,623	Net profit/(loss) from continuing operations		54,480	3,384
(128)	(137)	(365)	Net income/(loss) from discontinued operations		(502)	(2,160)
(4,762)	(1,280)	55,258	Net profit/(loss) for the period		53,978	1,224
-	-	-	Other comprehensive income		-	-
(4,762)	(1,280)	55,258	Total comprehensive income/(loss) for the period (net of tax)		53,978	1,224

NET INCOME /(LOSS) FOR THE PERIOD ATTRIBUTABLE TO:

(4,762)	(1,280)	55,258	Equity holders of the parent		53,978	1,224
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TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:

(4,762)	(1,280)	55,258	Equity holders of the parent		53,978	1,224
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EARNINGS PER SHARE

(0.07)	(0.02)	0.49	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Total		0.48	0.01
(0.07)	(0.01)	0.49	Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Continuing operations		0.48	0.02

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

Condensed Consolidated Statement of Financial Position

<i>Amounts in USD 000</i>	Note	As at 30 June 2021 <i>(Unaudited)</i>	As at 31 March 2021 <i>(Unaudited)</i>	As at 31 December 2020 <i>(Audited)</i>
Tangible and intangible assets	5	461,995	350,498	95,036
Other non-current assets		137	240	135
Total Non-current assets		462,132	350,738	95,171
Inventories, trade and other receivables	5	45,602	96,832	16,777
Other current assets		-	-	1,380
Cash and cash equivalents, including cash held for Bank guarantee		93,147	54,680	15,634
Total current assets		138,749	151,512	33,791
Assets classified as held for sale		21,418	21,871	20,445
Total Assets		622,299	524,121	149,407
Total Equity		199,341	143,969	67,945
Decommissioning liability	5	151,602	146,243	21,464
Loans and borrowings	8	85,490	57,664	12,738
Other non-current liabilities		17,025	11,866	6,898
Deferred tax liabilities	5	75,631	61,634	3,217
Total Non-current liabilities		329,748	277,407	44,317
Loans and borrowings - current portion	8	18,843	16,025	8,455
Trade and other current liabilities		36,682	51,022	8,477
Current and deferred taxes	10	17,357	15,240	1,302
Total Current liabilities		72,882	82,287	18,234
Liabilities directly associated with assets classified as held for sale		20,328	20,458	18,911
Total Liabilities		422,958	380,152	81,462
Total Equity and Liabilities		622,299	524,121	149,407

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

Condensed Consolidated Statement of Cashflows

Q2 2020	Q1 2021	Q2 2021		YTD 2021	YTD 2020
(Unaudited)	(Unaudited)	(Unaudited)	Cash inflows / (outflows) (USD 000)	(Unaudited)	(Unaudited)
(4,371)	517	58,015	Net (loss)/income for the period before tax	58,532	(2,329)
ADJUSTED FOR:					
1,806	1,885	7,679	Depreciation	9,564	3,450
(479)	(3,247)	39,889	Increase/(decrease) in working capital	36,643	2,807
(1,519)	(2,236)	(1,854)	Taxes	(4,090)	(3,230)
2,711	2,588	5,456	Net finance costs and losses/(gains) on commodity hedges	8,044	(7,748)
-	-	(48,461)	Gain on acquisition of business	(48,461)	-
301	265	294	Other non-cash items	559	634
(1,551)	(228)	61,018	Net cash (out)/inflow from operations	60,791	(6,416)
CASH FLOW FROM INVESTING ACTIVITIES					
-	(88,827)	(46,028)	Cash outflow related to acquisition(s)	(134,855)	-
(4,129)	(736)	(6,180)	Investment in exploration, production and other assets	(6,916)	(9,059)
(4,129)	(89,563)	(52,208)	Net cash (out)/inflow from investing activities	(141,771)	(9,059)
CASH FLOW FROM FINANCING ACTIVITIES					
-	53,325	35,000	Proceeds from loans and borrowings (net of upfront and arrangement costs)	88,325	-
-	(269)	(2,054)	Repayment of non-recourse loan	(2,323)	(1,408)
(720)	(720)	(870)	Repayment of Senior Secured loan	(1,590)	(1,440)
1,571	(282)	(480)	Realised gain/(loss) on commodity hedges	(762)	2,689
(326)	(224)	(1,739)	Borrowing costs, including bank charges	(1,963)	(678)
-	80,115	1	Gross proceeds from Equity Private Placement and Subsequent offering	80,116	-
-	(3,043)	(130)	Cost of Equity Private Placement and settlement of RSUs	(3,173)	-
(61)	(61)	(61)	Lease liability payments	(122)	(124)
464	128,841	29,667	Net cash (out)/inflow from financing activities	158,508	(961)
(5,216)	39,050	38,477	Change in cash and cash equivalents during the period	77,527	(16,436)
(3)	(4)	(10)	Change in cash and cash equivalents - assets held for sale	(14)	-
14,272	5,674	44,720	Cash and cash equivalents at the beginning of the period	5,674	20,493
9,053	44,720	83,187	Cash and cash equivalents at the end of the period	83,187	5,674

Condensed Consolidated Statement of Changes in Equity

Attributable to equity holders of the parent

For the six months ended

30 June 2021

Amounts in USD 000

	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2021 (Audited)	459	349,446	122,465	(361,017)	(37,647)	(5,761)	67,945
Net income/(loss) for the period - continuing operations	-	-	-	(1,143)	-	-	(1,143)
Net income/(loss) for the period - discontinued operations	-	-	-	(137)	-	-	(137)
Total comprehensive income/(loss)	-	-	-	(1,280)	-	-	(1,280)
Share issue for cash	258	79,856	-	-	-	-	80,114
Share issue costs	-	(3,043)	-	-	-	-	(3,043)
Employee share options charge	-	-	233	-	-	-	233
At 31 March 2021 (Unaudited)	717	426,259	122,698	(362,297)	(37,647)	(5,761)	143,969
Net income/(loss) for the period - continuing operations	-	-	-	55,623	-	-	55,623
Net income/(loss) for the period - discontinued operations	-	-	-	(365)	-	-	(365)
Other comprehensive income/(loss)	-	-	-	-	-	-	-
Total comprehensive income/(loss)	-	-	-	55,258	-	-	55,258
Share issue for cash	2	561	-	-	-	-	563
Settlement of Restricted Share Units	-	-	(1,374)	-	-	-	(1,374)
Employee share options charge	-	-	247	-	-	-	247
Share issue under RSU plan	2	676	-	-	-	-	678
At 30 June 2021 (Unaudited)	721	427,496	121,571	(307,039)	(37,647)	(5,761)	199,341

Attributable to equity holders of the parent

For the six months ended

30 June 2020

Amounts in USD 000

	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	-	-	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

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 2021 were authorised for issue by the Board of Directors on 25 August 2021.

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 2020 Annual Report and the Company's Prospectus, published in March 2021. A copy of the 2020 Annual Report and the Listing and Offering 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 since the end of year 2019.

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 2020 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, Equatorial Guinea 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, a Branch Office in Tunis and presence in Equatorial Guinea 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 since start of 2021, they have the potential to remain volatile due to supply/demand imbalances. Responses of governments and citizens to developments related to COVID-19 infections around the world may lead to decline in oil prices making the duration and financial impact impossible to reliably estimate.

A more detailed analysis of the Group's risks and uncertainties, and how the Group addresses these risks, are detailed in the 2020 Annual Report which is available on www.panoroenergy.com.

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 and Equatorial Guinea).

As noted above, from the year 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 – Gabon segment holds the following assets:
 - The Dussafu licence representing the Group's 17.4997% working interest in the Dussafu Marin exploration licence in Gabon
- › The West African – Equatorial Guinea segment holds the following assets:
 - The Block G licence representing the Group's 14.25% working interest
- › 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 2020 <i>(Unaudited)</i>	Q1 2021 <i>(Unaudited)</i>	Q2 2021 <i>(Unaudited)</i>	<i>All amounts in USD 000 unless otherwise stated</i>		YTD 2021 <i>(Unaudited)</i>	YTD 2020 <i>(Unaudited)</i>
OPERATING SEGMENTS - GROUP NET SALES						
1,148	1,350	1,302	Net average daily production - TPS assets (bopd)		1,333	1,163
-	-	4,153	Net average daily production - Block G (bopd)		4,153	-
1,199	1,020	1,053	Net average daily production - Dussafu (bopd)		1,033	1,032
2,347	2,369	6,508	Total Group Net average daily production (bopd)		6,519	2,194
114,244	123,465	132,620	Oil sales (bbls) - Net to Panoro - TPS assets, Tunisia		256,084	141,629
-	-	-	Oil sales (bbls) - Net to Panoro - Block G, Equatorial Guinea		-	-
54,320	56,103	174,777	Oil sales (bbls) - Net to Panoro - Dussafu, Gabon		230,880	97,956
168,564	179,568	307,397	Total Group Net Sales (bbls) - continuing operations		486,964	239,585
Discontinued operations						
258	169	159	Net average daily production - Aje (bopd)		164	261
-	-	-	Oil sales (bbls) - Net to Panoro - Aje, Nigeria		-	63,049
OPERATING SEGMENT - WEST AFRICA - GABON						
1,459	2,872	7,307	EBITDA		10,179	2,419
-	-	-	Impairment of E&E Assets - Charge/(Reversal)		-	-
828	593	648	Depreciation and amortisation		1,241	1,438
48,764	66,532	183,389	Segment assets		183,389	48,764
OPERATING SEGMENT - WEST AFRICA - EQUATORIAL GUINEA						
-	(3)	11,301	EBITDA		11,298	-
-	-	-	Impairment of E&E Assets - Charge/(Reversal)		-	-
-	-	5,636	Depreciation and amortisation		5,636	-
-	333,209	322,294	Segment assets		322,294	-
OPERATING SEGMENT - NORTH AFRICA - TUNISIA						
(321)	4,571	6,600	EBITDA		11,171	530
917	1,238	1,340	Depreciation and amortisation		2,578	1,905
73,795	73,147	78,215	Segment assets		78,215	73,795
CORPORATE						
(842)	(2,092)	(2,352)	EBITDA		(4,445)	(2,343)
61	54	55	Depreciation and amortisation		109	107
7,630	29,362	16,983	Segment assets		16,983	7,630
TOTAL - CONTINUING OPERATIONS						
296	5,348	22,856	EBITDA		28,204	606
-	-	-	Impairment of E&E Assets - Charge/(Reversal)		-	-
1,806	1,885	7,679	Depreciation and amortisation		9,564	3,450
130,189	502,250	600,881	Segment assets		600,881	130,189
Nigeria - Discontinued operations						
(128)	(137)	(365)	Net income/(loss) for the period-Discontinued operations		(502)	(2,160)
20,452	21,871	21,418	Assets classified as held for sale		21,418	20,452
(18,027)	(20,458)	(20,328)	Liabilities directly associated with assets classified as held for sale		(20,328)	(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 Operating expenses

Q2 2020 <i>(Unaudited)</i>	Q1 2021 <i>(Unaudited)</i>	Q2 2021 <i>(Unaudited)</i>		YTD 2021 <i>(Unaudited)</i>	YTD 2020 <i>(Unaudited)</i>
			<i>Amounts in USD 000</i>		
2,941	4,256	15,856	Production cost attributable to sale of oil	20,113	3,855
582	(269)	(18,908)	Movement in oil inventory and overlift/underlift entitlement position	(19,178)	997
3,523	3,987	(3,052)	Total operating expenses	935	4,852

Operating expenses and other attributable costs to continuing operations of the Group were USD 0.9 million in the first half of 2021 compared to USD 4.9 million in 1H 2020. Despite an increase in operational activity there is a decline in net operating costs on a year-to-date basis. The production costs of USD 20.1 million excluding crude inventory and overlift movements were primarily offset by a reversal of USD 25 million of overlift liability which was recognised at fair value under IFRS 3 on accounting for EG Transaction at the end of 1Q 2021. A further USD 7 million of overlift liability remains as of 30 June 2021 which is expected to unwind in the third quarter.

5 Business Combinations

5.1 EG Transaction

On 31 March 2021, Panoro completed the acquisition of 100% of the shares of PEGL from Tullow Overseas Holdings B.V. ("EG Seller"), a fully owned subsidiary of Tullow Oil plc, for an initial cash consideration of USD 88.8 million that includes the customary completion adjustments. Following the completion of the transaction the name of the company has been changed to Panoro Equatorial Guinea Limited. PEGL holds a 14.25% non-operated WI in Block G that contains the Ceiba and Okume Complex assets, offshore Equatorial Guinea (the "EG Assets"). The EG Assets comprise six producing oil fields in water depths of 50-850 metres, approximately 35 kilometres from shore. The EG Assets hold net WI 2P reserves of 14.2 MMbbl and net WI 2C resources of 25.6 MMbbl as of 30 June 2020.

In addition to the initial cash consideration of USD 88.8 million, as per the terms of the acquisition agreement, EG Seller was also paid a USD 5 million deferred consideration upon completion of the Dussafu Transaction (as explained below) in June 2021. EG Seller is also entitled to a potential contingent consideration of up to USD 16 million, in aggregate, payable only in years where the average annual net production of the acquired interests is in excess of 5,500 bopd. Once this initial net production threshold has been reached, in that year, and for the four consecutive subsequent annual periods, annual contingent consideration of USD 5.5 million will be payable to EG Seller provided that the production threshold is met in such annual period and the average daily Dated Brent oil prices in respect of the annual period is in excess of USD 60/bbl, subject to the aforementioned cap of USD 16 million.

The purchase consideration, as set out above, is summarised in the following table:

<i>Amounts in USD 000</i>	<i>Shares acquired</i>	Cost of Business Combination
Purchase price paid on completion	100%	88,827
Deferred consideration ⁽¹⁾		5,000
Contingent consideration ⁽²⁾		5,019
Total consideration		98,846
Carrying value of net assets acquired		(35,240)
Excess value to be allocated		134,086

1. Deferred consideration remains unpaid at completion date but has since been paid at the time of completion of the Dussafu Transaction.
2. Fair value estimate of the contingent consideration, payable only upon meeting the aforementioned criteria. This amount will be reviewed in conjunction with the criteria on an ongoing basis.

The preliminary fair values of the identifiable assets and liabilities of PEGE and the Purchase Price Allocation (“PPA”) at the date of acquisition were as follows:

<i>Amounts in USD 000</i>	Balance sheet pre PPA	Adjustment 1	Adjustment 2	Balance sheet post PPA
ASSETS				
Concessions	-	132,806	-	132,806
Goodwill acquired	-	1,280	-	1,280
Goodwill related to step up / deferred tax	-	-	46,482	46,482
Intangible fixed assets	-	134,086	46,482	180,568
Production assets and equipment	76,367	-	-	76,367
Materials inventory	9,990	-	-	9,990
Crude oil inventory	6,904	-	-	6,904
Trade receivables	59,135	-	-	59,135
Other current receivables	245	-	-	245
Total assets	152,641	134,086	46,482	333,209
LIABILITIES				
Decommissioning liability	124,646	-	-	124,646
Deferred tax liability	12,298	-	46,482	58,780
Corporation tax liability	14,014	-	-	14,014
Crude oil overlift	31,174	-	-	31,174
Trade payables	5,749	-	-	5,749
Total liabilities	187,881	-	46,482	234,363
Net assets (liabilities) acquired	(35,240)	134,086	-	98,846

For the first quarter of 2021, the operating cashflow of PEGE was USD 10 million before taxes of USD 0.8 million and primarily relates to payments of operating costs. In addition, USD 3.4 million of cash was spent on investing activities in relation to capital expenditure. All these items are already included in the final completion payment of USD 88.8 million.

Since the acquisition date, the acquired business contributed revenue of USD nil and profit of USD 6 million to the consolidated statement of comprehensive income.

5.2 Dussafu Transaction

On 9 February 2021, Panoro and its fully owned subsidiary Pan Petroleum Gabon BV, entered into an agreement with Tullow Oil plc and Tullow Oil Gabon SA to acquire a 10% WI in the Dussafu Marin Permit, offshore Gabon for an initial cash consideration of USD 46 million based on an effective date of 1 July 2020 which is subject to customary working capital and other customary adjustments to be made at completion. Following completion of Dussafu Transaction in June 2021, Panoro's total WI in Dussafu has increased to 17.4997% WI in Dussafu. Upon completion of the Dussafu Transaction, Panoro's net WI 2P reserves at Dussafu increased to approximately 19 MMbbls, and net WI production from the field increased from 1,200 bopd to approximately 2,800 bopd.

At the completion date of 9 June 2021, a total cash consideration of 39 million paid to Tullow Oil Gabon SA which included completion and working capital adjustments as of such date. A further contingent consideration of up to USD 24 million (the "Dussafu Contingent Consideration") may also be payable once commercial production commences on Hibiscus and Ruche and achieves daily production equal to or greater than 33,000 bopd gross over any 60-day continuous period. Once this milestone has been met, annual contingent consideration will apply to that year and to each of the subsequent four years where the average daily Dated Brent oil price is in excess of USD 55 per barrel, subject to the USD 24 million cap. Where the oil price threshold has been met, the Dussafu Contingent Consideration payable for that year will be based on 15% of net free cashflow after all taxes, operating and capital costs from the acquired 10% WI. The contingent payment will be capped for any year at USD 5 million.

Although the Dussafu Transaction has only been an increase in Panoro's WI in an existing asset, under IFRS 3 the criteria is met for such transaction to be recognised as a business combination which includes recognition of fair value uplift, goodwill and the associated deferred tax under the standard which customary on recognition of such acquisitions.

The purchase consideration, as set out above, is summarised in the following table:

<i>Amounts in USD 000</i>	<i>Working Interest Acquired in Dussafu Marin Permit</i>	Cost of Business Combination
Purchase price paid on completion	10%	39,028
Total consideration		39,028
Carrying value of net assets acquired		(59,241)
Excess value to be allocated		(20,213)

The preliminary fair values of the identifiable assets and liabilities of 10% WI in Dussafu Marin Permit and the Purchase Price Allocation (“PPA”) at the date of acquisition were as follows:

<i>Amounts in USD 000</i>	Balance sheet pre PPA	Adjustment 1	Adjustment 2	Balance sheet post PPA
ASSETS				
Exploration and evaluation assets	28,624	-	-	28,624
Development assets	20,117	-	-	20,117
Production reserves	-	43,659	-	43,659
Goodwill acquired	-	(63,872)	-	(63,872)
Goodwill related to step up / deferred tax	-	-	15,281	15,281
Intangible fixed assets	48,741	(20,213)	15,281	43,809
Production assets and equipment	13,843	-	-	13,843
Inventory	3,456	-	-	3,456
Other receivable	1,722	-	-	1,722
Total assets	67,762	(20,213)	15,281	62,830
LIABILITIES				
Decommissioning liability	4,171	-	-	4,171
Deferred tax liability	-	-	15,281	15,281
Other current liabilities	4,350	-	-	4,350
Total liabilities	8,521	-	15,281	23,802
Net assets (liabilities) acquired	67,762	(20,213)	15,281	62,830

Under the requirements of IFRS 3 “Business Combinations” any excess of fair value of net assets acquired over the consideration paid is recognised in the income statement as gain on acquisition of business, which was USD 48.5 million for this transaction. Such gain has arisen due to significant increase in oil prices between effective date and completion date of the Dussafu Transaction. For the first half of 2021, the operating cashflow of the 10% acquired interest under Dussafu Transaction was USD 0.2 million after excluding any value of proportional State Profit oil entitlement and primarily relates to payments of operating costs, capital expenditure and past costs dispute settlement offset by proceeds sale of crude oil entitlement. All these items are already included in the final completion payment of USD 39 million.

Since the acquisition date, the acquired business contributed revenue of USD 4.9 million and profit of approximately USD 2.4 million to the consolidated statement of comprehensive income.

6 Cash, cash equivalents and restricted cash

Cash and cash equivalents at 30 June 2021 amounted to USD 83.2 million and USD 5.7 million at 31 December 2020. In addition, the Group had USD 10 million (net to Panoro) of cash held for a bank guarantee issued towards SOEP drilling obligations.

In January 2019, the Tunisian Directorate General of Hydrocarbons advised that the Tunisian Consultative Hydrocarbons Committee had required Panoro Tunisia Exploration AS (“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.

7 Share capital

As of 31 June 2021, the Company had a registered share capital of NOK 5,669,184 divided into 113,383,690 shares, each with a nominal value of NOK 0.05.

8 Loans and borrowings

8.1 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 2021	31 March 2021	31 Dec 2020
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Senior Loan facility - Non-current	7,860	8,880	9,900
Senior Loan facility - Current	4,650	4,500	4,200
Senior Loan interest accrued - Current	196	209	224
Total Senior Loan facility	12,706	13,589	14,324
Senior Loan Unamortised borrowing costs - Non-current	(189)	(215)	(240)
Senior Loan Unamortised borrowing costs - Current	(102)	(102)	(102)
Total Unamortised borrowing costs	(291)	(317)	(342)
Total Senior Loan facility	12,415	13,272	13,982

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.

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% per annum over the remaining term of the facility (effective interest rate for quarter ended 31 December 2020: 7.4%).

8.2 MCB/Trafigura Senior Secured Reserve Based Loan

On 29 March 2021, Panoro signed a fully underwritten acquisition finance loan facility of up to USD 90 million arranged by Trafigura, one of the world's leading independent commodity trading and logistics houses, with Mauritius Commercial as mandated lead arranger and facility agent, to partially finance the EG Transaction and the Dussafu Transaction as described above.

The loan has been made available in two tranches, Tranche A of up to USD 55 million in respect of the EG Transaction and Tranche B of up to USD 35 million in respect of the Dussafu Acquisition. Tranche A and Tranche B can be drawn separately and are not conditional on each other. The drawn-down amount under the loan will amortise over a period of 5 years and carries an annual interest rate of 3M LIBOR plus 7.5%. An accordion option for an additional USD 50 million is included alongside and in addition to the acquisition finance facilities.

On 30 March 2021, Panoro drew down against Tranche A of the facility, borrowing USD 55 million which was utilised to partially pay for the purchase consideration of the EG Transaction as described above, and the balance funded from the proceeds of the equity private placement of the Company shares that completed in the first quarter of this year.

On 9 June 2021, Panoro drew down against Tranche B of the facility, borrowing USD 35 million which was utilised to partially pay for the purchase consideration of the Dussafu Transaction as described above.

Current and non-current portion of the outstanding balance of the Trafigura Senior Secured Reserve Based Lending facility as of the date of the statement of financial position is as follows:

	30 June 2021	31 March 2021	31 Dec 2020
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
Borrowing Base Loan facility - Non-current	79,200	48,400	-
Borrowing Base Loan facility - Current	10,800	6,600	-
Borrowing Base Loan interest accrued - Current	-	24	-
Total Senior Loan facility	90,000	55,024	-
Borrowing Base Unamortised borrowing costs - Non-current	(2,136)	(2,210)	-
Borrowing Base Unamortised borrowing costs - Current	(1,074)	535	-
Total Unamortised borrowing costs	(3,210)	(1,675)	-
Total Senior Loan facility	86,790	53,349	-

The amended Senior Loan facility has a term of 5 years from 31 March 2021 with interest charged and paid quarterly at USD 3-month LIBOR plus 7.5% on the balance outstanding, with principal repayments due each six months.

Key financial covenants are required to be tested 30 September and 31 March 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) Group Net debt/EBITDA: ≤ 3.0
- (ii) Minimum cash balance of USD 7.0 million to be maintained in the account of the Borrower
- (iii) Field life coverage ratio: 1.5x
- (iv) Loan life coverage ratio: 1.3x
- (v) Group Liquidity Test: 1.2x (Borrower and subsidiaries)

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 9.46% per annum over the remaining term of the facility.

8.3 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 2021	31 March 2021	31 Dec 2020
<i>Amounts in USD 000</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>
BW Energy non-recourse loan - Non-current	755	2,809	3,078
BW Energy non-recourse loan - Current	4,373	4,259	4,133
Total carrying value	5,128	7,068	7,211

The non-recourse loan is repayable through Panoro's 7.4997% working interest 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.

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.

9 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	
			Buy Put (USD/Bbl)	Sell Call (USD/Bbl)
		Bbls		
At 31 December 2020 (audited)	Jan 20 - Dec 21	243,432	55	61
At 30 June 2021 (unaudited)	June 21 - Dec 22	472,716	55	65

Commodity Swaps instruments	Maturity	Remaining contract amount	Average contract price	
			Settlement price ceiling (USD/Bbl)	
		Bbls		
At 31 December 2020 (audited)	-	-	-	-
At 30 June 2021 (unaudited)	November 2021	135,000		70

10 Income Tax

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

Q2 2020	Q1 2021	Q2 2021		YTD 2021	YTD 2020
(Unaudited)	(Unaudited)	(Unaudited)	Amounts in USD 000	(Unaudited)	(Unaudited)
554	955	1,258	Effect of taxes under PSA arrangements - Gabon	2,213	1,167
5	1,204	2,713	Current income tax charge/(credit) - Tunisia	3,917	512
(5)	1	-	Other Corporate	1	(5)
(163)	(363)	(1,214)	Deferred tax charge/(credit)	(1,577)	(231)
391	1,797	2,757	Total tax charge	4,554	1,443

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.

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of 30 June 2021 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
Bm ³	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 ³	Million cubic meters
Tcf	Trillion cubic feet
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortisation
EBIT	Earnings before Interest and Taxes
TVDSS	True Vertical Depth Subsea

Disclaimer

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



Panoro Energy

CONTACT INFORMATION

For further information, please contact:

John Hamilton, Chief Executive Officer

Panoro Energy ASA/ Panoro Energy Limited
investors@panoroenergy.com
Tel: +44 20 3405 1060

Qazi Qadeer, Chief Financial Officer

Panoro Energy ASA/ Panoro Energy Limited
investors@panoroenergy.com
Tel: +44 20 3405 1060

www.panoroenergy.com