

Panoro Energy

ΠΑΝΟΡΟ ΕΝΕΡΓΕΙΑ

Third Quarter Report 2012

November 8, 2012



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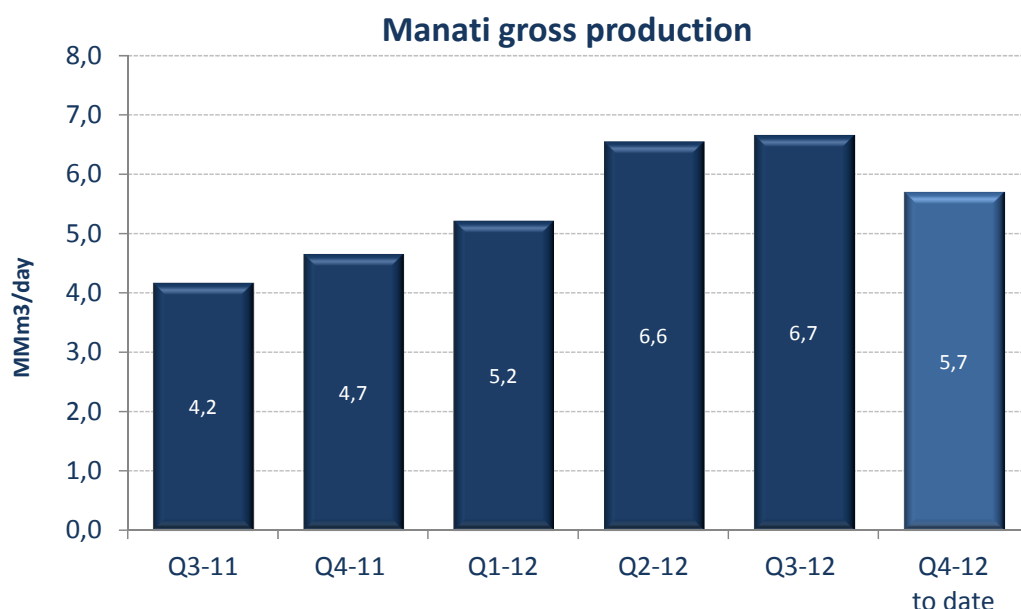
Highlights and events

Panoro Energy ASA ("PEN" ticker code on the OSE) and its subsidiaries ("Panoro Energy" or "the Company") report EBITDA of USD 6.7 million for the third quarter 2012. Production from Manati remained high as gas demand from thermoelectric power plants was strong during the quarter. Drilling of the first two out of the three well exploration campaign has now been completed in the southern Santos basin, Brazil. Even though hydrocarbons were encountered in both wells, it is expected that discovered volumes are too low for commercialisation. The Scarabeo 3 drilling rig has been secured for drilling the Tortue prospect on the Dussafu Marin Permit, offshore Gabon during fourth quarter 2012.

In October, Panoro Energy received contingent offers for parts of its West African portfolio. The offers are being evaluated, and the outcome of this process is expected to be communicated before the end of the year. These offers are the result of Panoro Energy's ongoing process to explore and evaluate potential strategic alternatives for its West African business unit with a view to enhancing shareholder value. This strategic alternatives process was announced in July 2012.

Third quarter 2012 highlights and subsequent events

- Group net gas sales averaged 4,004 BOE/day in the third quarter versus 3,952 BOE/day in the previous quarter
- Group EBITDA was USD 6.7 million, up from USD 6.5 million in the previous quarter
- Drilling completed in Block BM-S-72 (the Sabiá well) in the Santos basin offshore Brazil
- Drilling completed in Block BM-S-63 (the Canário well) in the Santos basin offshore Brazil
- Drilling commenced in Block BM-S-71 (the Jandáia well), the last of the carried three well exploration campaign in Brazil
- Rig secured for drilling the Tortue prospect on the Dussafu Marin Permit offshore Gabon
- The Company has received contingent offers for parts of its West African portfolio



Operational update

Panoro Energy currently has assets in two of the world's most prolific petroleum regions; Brazil and West-Africa. In Brazil, the Company has interests in three main projects of which one is a producing field. In West-Africa, the Company is engaged in projects in Congo-Brazzaville, Gabon and Nigeria.

BRAZIL

Manati field: Petrobras (Operator, 35%), Panoro Energy (10%)

Average gas production from Manati was 6.7 million m³/day in the third quarter (4,191 BOE/day net to Panoro), resulting in sales of 4,004 BOE/day. The production represents an increase of approximately 2% compared to the second quarter 2012 and an increase of approximately 60% compared to the third quarter 2011. The year-on-year increase is a result of all the six wells being back at full production capacity, after repair and maintenance work that reduced production capacity last year. Average production in the fourth quarter 2012 has been 5.7 million m³/day to date (3,590 BOE/day net to Panoro) with the field continuing to produce from all six wells.

The Manati gas price decreased to 7.96 USD/MMBtu (before royalties and taxes) in the third quarter 2012 from 8.22 USD/MMBtu in the second quarter, reflecting weakening of the BRL versus USD. The price for the Manati gas is fixed in Brazilian Reais and annually adjusted for Brazilian inflation (IGPM index).

The operator has scheduled a shut-down of the field for 2 to 3 weeks, which will occur in early 2013, for maintenance of the onshore gas processing plant and replacement of certain topside equipment on the platform. Annual production for 2012 is expected to average around 6.0 MMm³/day, with actual production depending on demand for natural gas.

BM-S-63, BM-S-71 and BM-S-72 - Santos Round 9 exploration assets: Vanco (Operator, 70%), Panoro Energy (15%)

The drilling of the Sabiá well 1-VBEP-1-SPS in the BM-S-72 block in the southern Santos basin offshore Brazil was completed during the quarter. The well reached a final depth of 4,200 meters. Multiple hydrocarbon bearing zones were encountered, but Panoro believes that the discovery is likely non-commercial on a stand-alone basis.

The drilling of the Canário well 1-VBEP-2-SPS in the BM-S-63 was completed after the end of the quarter. The well reached a final depth of 4,450 meters. Panoro Energy is currently evaluating the drilling results of the Canário prospect and preliminary evaluation indicates that the drilling has not encountered commercial hydrocarbons volumes.

Both wells were drilled with Transocean's semi-submersible drilling rig GSF Arctic I. The rig has been moved to drill the last well in the exploration campaign targeting the Jandáia prospect (BM-S-71). The drilling operation for this well is expected to take 2 to 3 months.

BS-3 project: Petrobras (Operator, 35%) Panoro Energy: Cavalo Marinho (50%), Estrela do Mar (65%) and Coral (35%)

The development concept of the BS-3 fields is still under discussion and the major challenge is still related to the various options for shared infrastructure and how to optimize the gas export solution. The development plan for Cavalo Marinho (and Caravela - 100% Petrobras) was resubmitted in June 2012. There are also ongoing discussions on how to benefit from potential additional resources in shallower and tighter reservoirs (B1 zone) and in particular how many wells to be drilled and in which order to drill these wells.

CONGO-BRAZZAVILLE

Mengo-Kundji-Bindi (MKB): SNPC (Operator, 60%), Panoro Energy (20%)

The KUN-204 and KUN-205 wells were completed and commenced production towards the end of the quarter. The final well of the six well pilot programme, KUN-206, was completed and commenced production early in the fourth quarter 2012.

Gross production from the Kundji field amounted to approximately 33,000 barrels in third quarter 2012, compared with production of approximately 39,000 barrels in second quarter 2012. The produced oil was exported by road tankers to the CORAF refinery near Pointe Noire.

GABON

Dussafu Marine: Harvest (Operator, 66.67%), Panoro Energy (33.33%)

Preparations continued for the drilling of the Tortue prospect on the Dussafu Marin Permit, 15 km southeast of the Ruche discovery made in 2011. Saipem S.p.A's Scarabeo 3 semi-submersible drilling unit has been contracted to drill the prospect, with spud expected to take place in Q4. The main targets are the pre-salt Gamba and Dentale reservoirs with the post-salt Madiela reservoir forming a secondary target. The operator estimates consolidated mean prospective resources of 28 MMbbls with a 56% geological chance of success for the Tortue Prospect.

NIGERIA

OML 113 Aje field: YFP (Operator, 60%), Chevron (technical advisor), Panoro Energy (6.5% participating interest)

The OML 113 partners are continuing to evaluate options for development of the Aje field. Work towards a possible appraisal well in 2013 continued in the quarter with seismic re-processing, mapping and oil development concept studies. The new well would be an appraisal of the Cenomanian reservoir which may lead to a subsequent oil development.

Financial information

Income statement review

Third quarter 2012 versus second quarter 2012

Panoro Energy reported an EBITDA of USD 6.7 million for the third quarter 2012, compared to USD 6.5 million in the second quarter.

The small increase in EBITDA was primarily driven by lower production costs and exploration related costs, one-off items in other income of USD 0.9 million, partly offset by increase in general and administration costs that included termination charges related to the departure of the former CEO and also strategic review costs.

Oil and gas revenue in the third quarter 2012 was USD 12.0 million, slightly down from USD 12.1 million in the second quarter. The volume sold increased marginally by 52 BOE/day or 1.3% from the second quarter, whereas the realised sale price decreased by 3.2% from USD 8.22 to USD 7.96/MMBtu. The lower gas price reflects average weakening of BRL against USD during the quarter. Gas sale prices are fixed in BRL and therefore subject to currency movements on translation to USD for reporting purposes.

Production costs in the third quarter 2012 were USD 1.4 million, compared to USD 1.5 million in the previous quarter whereas the exploration costs amounted to USD 0.2 million, down from USD 0.3 million in the second quarter.

General and administration costs amounted to USD 4.7 million in the third quarter 2012, compared to USD 3.8 million in the second quarter. The current quarter included termination charges that can be explained by a contractual obligation of USD 0.6 million arising on the departure of the former CEO. Remaining increase can be attributed to one-off costs incurred on strategic review of the Company's portfolio. The final amount of termination charges in relation to the departure of former CEO is expected to be incurred in the fourth quarter.

Depreciation increased to USD 2.1 million in the third quarter 2012 from USD 2.0 million in the second quarter. The depreciation is in line with the production activity for the respective quarters.

Loss on disposal of tangible assets was USD 75,000 resulting from closure of Oslo office premises.

The share based payments charge of USD 131,000 in the third quarter 2012, decreasing from USD 364,000 in the previous quarter. The decline is mainly due to complete vesting of the second tranche of options granted in 2010 and cancellation of options relating to the former CEO.

This generated an EBIT of USD 4.4 million compared to USD 4.1 million in the second quarter.

Net financial items amounted to a negative USD 5.0 million in the third quarter 2012, including net interest costs of USD 2.9 million, net other financial costs of USD 1.2 million and a net foreign exchange loss of USD 0.9 million.

This compared to net financial items of a negative USD 9.7 million in the second quarter 2012, which included net interest costs of USD 3.5 million, net other financial costs of USD 0.9 million, negative movement in fair value of financial instrument of USD 0.2 million and net foreign exchange loss of USD 5.1 million.

The decline in net interest costs reflects higher return on the Group's cash placements, as interest costs were stable compared to the previous quarter. The increase in other financial costs reflects intercompany financing costs, mostly arising on settlement of historical loans. Loss in fair value of financial instruments in the second quarter represents gain reversed on maturity of currency swaps. There were no currency swaps in the third quarter. The negative movement in foreign exchange primarily reflects a 3.3% weakening of BRL against USD compared to the second quarter 2012.

Loss before tax was USD 0.6 million in the third quarter 2012, compared to a loss of USD 5.6 million in the previous quarter.

The Group recognized an income tax charge of USD 0.8 million in the third quarter 2012, compared to USD 3.1 million in the second quarter. This mainly reflects current tax in the current period, owing to income from operations in Brazil.

The net loss for the quarter was USD 1.4 million, an improvement from a net loss of USD 8.7 million in the second quarter.

Other comprehensive income of a negative USD 0.8 million was a result of translating Brazilian subsidiaries for reporting purposes, reflecting the BRL weakening against USD during the quarter. Other comprehensive income was negative USD 19.3 million in the second quarter.

Year to date 2012 versus Year to date 2011

Panoro Energy reported an EBITDA of USD 18.5 million for the nine months ended September 30, 2012 compared to USD 8.6 million for the same period in 2011.

The increase in EBITDA was primarily driven by higher gas sales revenue from the Manati field where unscheduled maintenance of risers resulted in lower production in the nine months to September 30, 2011.

Year to date oil and gas revenue was USD 35.1 million, up from USD 25.6 million in the same period last year. The volume sold increased by 1,343 BOE/day or 57%. Realised price declined from USD 9.45 to USD 8.38/MMBtu, which reflects an average weakening of BRL against USD. Gas sale prices are fixed in BRL and therefore subject to currency movements on translation to USD for reporting purposes.

Other income for the current period was USD 0.9 million representing reversal of excess provisions against assets related liabilities which have been settled during the third quarter 2012.

Production costs were USD 4.1 million in the current period compared to USD 5.0 million in the same period last year with the decrease explained by no unscheduled maintenance costs in 2012.

Exploration related costs amounted to USD 0.8 million, up from USD 0.3 million in nine months to September 30, 2011. The increase is mainly due to higher geological and geophysical data costs in the current period.

General and administration costs increased to USD 12.6 million in the nine months to September 2012, compared to USD 11.7 million in the same period of 2011. The current period includes termination charges that were driven by the departure of the former CEO and costs incurred on strategic review of the Company's operations.

Depreciation increased to USD 5.9 million from USD 4.3 million in the first nine months of 2011, with the increase in line with the increase in production activity.

No impairment charges were recognized in the period ended September 30, 2012, whereas the Income Statement for the same period in previous year was negatively affected by impairment of USD 0.2 million. Share based payment charges were stable at USD 0.9 million in both periods.

This generated an EBIT of USD 11.6 million in the nine months to September 30, 2012, compared to USD 3.2 million in the previous year.

Net financial items amounted to a negative USD 14.8 million in the nine months to September 30, 2012, including net interest costs of USD 8.9 million, net other financial costs of USD 2.5 million and a net foreign exchange loss of USD 3.5 million.

This compared to net financial items of a negative USD 24.9 million in the nine months ended September 30, 2011, including net interest costs of USD 12.2 million, net other financial costs of USD 2.9 million, net foreign exchange loss of USD 11.1 million and positive movement in fair value of warrants of USD 1.3 million.

Loss before tax was USD 3.2 million for the period ended September 30, 2012, compared to USD 21.7 million in the same period of 2011.

The Group recognized an income tax charge of USD 6.5 million in the nine months to September 2012, compared to USD 3.5 million in the comparative period in 2011. This mainly reflects reversal of deferred tax assets and higher current tax in 2012, owing to higher income from operations in Brazil.

The net loss was USD 9.7 million in the first nine months of 2012, an improvement from a net loss of USD 25.2 million in the comparable period of 2011.

Other comprehensive income of a negative USD 17.0 million reflects translation of Brazilian subsidiaries for reporting purposes. The movement was a result of an 8.25% BRL weakening against USD during the year to September 2012. In the previous year to September 2011, other comprehensive income was a negative USD 32.2 million.

Statement of financial position review

Movements to September 30, 2012 from June 30, 2012

The movements in the Group statement of financial position during third quarter 2012 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 306.0 million at September 30, 2012, an increase of USD 3.2 million from the end of the second quarter.

Licences and exploration assets amounted to USD 216.0 million, an increase of USD 5.7 million in the quarter. The main reason for the increase was expenditure on drilling and testing on MKB pilot program and well planning on Dussafu.

Production assets and equipment amounted to USD 81.5 million, a decrease of USD 2.2 million in the quarter as a result of depreciation and negative effects of currency movements.

Property, furniture, fixtures and equipment remained unchanged at USD 0.9 million.

Deferred tax assets were USD 5.3 million per September 30, 2012, compared to USD 6.0 million per June 30, 2012. The change reflects reversals due to currency movements, and reassessment of taxable temporary differences at period end.

Other non-current assets amounted to USD 2.2 million, mainly consisting of a long term deposit related to the Manati abandonment fund. The increase of USD 0.4 million was a result of payments to the fund in the third quarter.

Current assets

Current assets amounted to USD 119.4 million per September 30, 2012, compared to USD 114.8 million per June 30, 2012.

Trade and other receivables stood at USD 19.8 million, an increase from USD 18.4 million at the end of June 2012.

Other financial asset was nil as of September 30, 2012 and compared to USD 0.8 million at June 30, 2012. The change represents realisation of currency swaps during the third quarter.

Cash and bank balances stood at USD 99.6 million per September 30, 2012, an increase from USD 95.6 million per June 30, 2012. The increase mainly reflects cash generation from higher production in Manati field.

Equity

Equity amounted to USD 231.3 million per September 30, 2012, compared to USD 233.5 million at the end of June 2012. The change reflects the loss for the period as well as negative movement in currency translation reserve. The equity ratio was 54% at the end of September 2012, compared to 56% at the end of June 2012.

Non-current liabilities

Total non-current liabilities amounted to USD 150.6 million per September 30, 2012, a slight increase from USD 149.3 million at the end of June 2012.

Interest bearing debt (net of issue costs) totalled USD 144.2 million at the end of September 2012, of which the non-current portion was USD 124.0 million. The increase in the non-current portion from USD 122.7 million per June 30, 2012 can mainly be attributed to currency movements on the NOK tranche and amortisation of debt issue costs.

Deferred tax liabilities stood at USD 7.8 million at the end of both periods, representing the remainder of a liability that arose on acquisition of Pan-Petroleum in 2010. These are primarily tax on the excess of the fair value of the acquired assets over the tax base of those assets.

Other non-current liabilities amounted to USD 18.8 million at the end of both September and June 2012, comprising provision for decommissioning of USD 12.6 million and USD 6.2 million of license and acquisition related liabilities in Brazil and West Africa.

Current liabilities

Current liabilities amounted to USD 43.4 million at September 30, 2012, compared to USD 34.8 million at the end of June 2012.

Current interest bearing debt (net of issue costs) was USD 20.2 million, an increase from USD 15.8 million per the end of June 2012. This mainly represents accrued interest on the callable bond, and the principal instalment due within one year of the period end. The amount increased due to three months interest accrual for the third quarter.

Accounts payable, accruals and other liabilities amounted to USD 23.3 million, an increase from USD 19.0 million at the end of June 2012. The increase is a result of higher liabilities towards joint ventures in West Africa at the end of third quarter.

Movements to September 30, 2012 from December 31, 2011

Year to date movements in Group Statement of Financial position were combinations of the following:

Non-current assets

Non-current assets amounted to USD 306.0 million at September 30, 2012, a decrease of USD 8.3 million from the end of 2011.

Licences and exploration assets amounted to USD 216.0 million, an increase of USD 8.7 million in nine months to September 2012. Net investments during the period were USD 16.7 million, mainly in West Africa (MKB and Dussafu). This was partly offset by USD 8.0 million of negative currency movements on Brazilian assets at period end.

Production assets and equipment amounted to USD 81.5 million, a decline of USD 11.9 million in the first three quarters of the year due to depreciation and negative effects of currency movements.

Property, furniture, fixtures and equipment remained unchanged at USD 0.9 million.

Deferred tax assets were USD 5.3 million per September 30, 2012, compared to USD 10.3 million per December 31, 2011. The change reflects reversals due to currency movements, and reassessment of taxable temporary differences at period end.

Other non-current assets amounted to USD 2.2 million, mainly consisting of a long-term deposit in relation to the Manati abandonment fund. Other non-current assets of USD 2.4 million at December 31, 2011 included a receivable balance of USD 1.1 million, which was classified as a current asset in earlier part of 2012.

Current assets

Current assets amounted to USD 119.4 million per September 30, 2012, compared to USD 131.3 million per December 31, 2011.

Trade and other receivables stood at USD 19.8 million, up slightly from USD 19.5 million at the end of 2011. Other financial assets were nil at September 30, 2012 due to realisation of currency swaps in the current period.

Cash and bank balances stood at USD 99.6 million per September 30, 2012, a decline from USD 110.9 million per December 31, 2011. The decline mainly reflects investments in assets in West-Africa and Brazil, together with payment of interest on bond loans.

Equity

Equity amounted to USD 231.3 million per September 30, 2012, compared to USD 257.2 million at the end of December 2011. The change reflects loss for the period and negative movement in currency translation reserve. The equity ratio was 54% at the end of September 2012, compared to 58% at the end of December 2011.

Non-current liabilities

Total non-current liabilities amounted to USD 150.6 million per September 30, 2012, an increase from USD 148.6 million at the end of 2011.

Interest bearing debt (net of issue costs) totalled USD 144.2 million at the end of September 2012, of which the non-current portion was USD 124.0 million. The increase in the non-current portion from USD 122.0 million per December 31, 2011 can mainly be attributed to currency movements on the NOK tranche and amortisation of debt issue costs.

Deferred tax liabilities stood at USD 7.8 million at the end of both periods, representing the remainder of a liability that arose on acquisition of Pan-Petroleum in 2010. This is primarily tax on the excess of the fair value of the acquired assets over the tax base of those assets.

Other non-current liabilities amounted to USD 18.8 million at the end of September 2012, unchanged since the beginning of the financial year. This comprises provision for decommissioning of USD 12.6 million and USD 6.2 million of license and acquisition related liabilities in Brazil and West Africa.

Current liabilities

Current liabilities amounted to USD 43.4 million at September 30, 2012, compared to USD 39.8 million at the end of 2011.

Current interest bearing debt (net of issue costs) was USD 20.2 million, increasing from USD 15.7 million at December 31, 2011. This mainly represents accrued interest on the callable bond, and the principal instalment due within one year of the period end. The current period includes interest accrual of 135 days compared to 46 days at December 31, 2011.

Accounts payable, accruals and other liabilities amounted to USD 23.3 million, a decrease from USD 24.1 million at the end of 2011. The decline is a result of slightly lower liabilities towards joint ventures.

Bonds, debt and other financial information

The Company was in compliance with its loan covenants at the end of the third quarter 2012. The equity ratio was 54%, down from 56% at the end of the previous quarter. The stock price closed the quarter at NOK 3.75/share.

Funding

Cash and bank balances amounted to USD 99.6 million at September 30, 2012, including restricted cash of USD 17.7 million. Gross interest bearing debt was USD 144.2 million per September 30, 2012. The next interest and principal repayment of approximately USD 22.8 million is due in November 2012.

Outlook

Panoro Energy expects continued high production from Manati with an average around 6.0 MMm3/day for 2012.

The last of the three well exploration campaign in Brazil was spudded in November and the Company expects this well to be completed during the first quarter 2013.

In the BS-3 licenses in the Santos Basin, Brazil, studies continue to firm up the degree of integration between the fields before concept selection is made.

In Gabon, the Tortue drilling is expected to spud in Q4.

In the MKB license in Congo-Brazzaville, preparations are underway for continued drilling. Contract tendering for early production facilities is in progress.

In October, Panoro Energy received contingent offers for parts of its West African portfolio. The offers are being evaluated, and the outcome of this process is expected to be communicated before the end of 2012. These offers are the result of Panoro Energy's ongoing process to explore and evaluate potential strategic alternatives for its West African business unit with a view to enhancing shareholder value. This strategic alternatives process was announced in July 2012.

The Board of Directors
Panoro Energy ASA
Oslo, November 8, 2012

Dr. Phil Vingoe
Chairman

Silje Augustson
Board member

Isabel Silva Ramos Kimmelmeier
Board member

Condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED SEPTEMBER 30, 2012

Q3 2011	Q2 2012	Q3 2012	Amounts in USD 000	Note	YTD 2012	YTD 2011
(Unaudited)					(Unaudited)	
9,182	12,135	12,010	Oil and Gas revenue		35,094	25,613
-	-	891	Other income		891	-
9,182	12,135	12,901	Total revenues and other income		35,985	25,613
(2,568)	(1,504)	(1,370)	Production costs		(4,096)	(5,002)
(62)	(286)	(172)	Exploration related costs	8	(809)	(302)
(4,221)	(3,818)	(4,704)	General and administrative costs		(12,624)	(11,703)
2,331	6,527	6,655	EBITDA		18,456	8,606
(1,508)	(2,035)	(2,085)	Depreciation		(5,903)	(4,270)
(68)	-	-	Impairment		-	(242)
-	-	(75)	Loss on disposal of tangible assets		(75)	-
(239)	(364)	(131)	Share based payments		(864)	(931)
516	4,128	4,364	EBIT - Operating income/(loss)		11,614	3,163
(4,153)	(3,462)	(2,876)	Interest costs net of income		(8,850)	(12,195)
(470)	(905)	(1,179)	Other financial costs net of income		(2,470)	(2,853)
-	(222)	-	Movement in fair value of financial instrument		-	-
(12,247)	(5,132)	(897)	Net foreign exchange gain/(loss)		(3,511)	(11,094)
-	-	-	Warrants effect - gain/(loss)		-	1,250
(16,354)	(5,593)	(588)	Income/(loss) before tax		(3,217)	(21,729)
4,855	(3,091)	(845)	Income tax benefit/(expense)	4	(6,489)	(3,455)
(11,499)	(8,684)	(1,433)	Net income/(loss) for the period		(9,706)	(25,184)
(29,113)	(19,341)	(840)	Exchange differences arising from translation of foreign operations		(16,991)	(32,217)
(29,113)	(19,341)	(840)	Other comprehensive income/(loss) for the period (net of tax)		(16,991)	(32,217)
(40,612)	(28,025)	(2,273)	Total comprehensive income/(loss) for the period		(26,697)	(57,401)
			Net income/(loss) for the period attributable to:			
(11,499)	(8,684)	(1,433)	Equity holders of the parent		(9,706)	(25,184)
			Total comprehensive income/(loss) for the period attributable to:			
(40,612)	(28,025)	(2,273)	Equity holders of the parent		(26,697)	(57,401)
			Earnings per share (Note 5)			
(4.90)	(3.70)	(0.61)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent		(4.14)	(11.75)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2012

<i>Amounts in USD 000</i>	Note	September 30, 2012 <i>(Unaudited)</i>	June 30, 2012 <i>(Unaudited)</i>	December 31, 2011 <i>(Audited)</i>
Non-current assets				
Licenses and exploration assets	6	215,975	210,299	207,249
Production assets and equipment	6	81,497	83,656	93,396
Property, furniture, fixtures and office equipment		918	961	959
Deferred tax assets		5,324	5,985	10,265
Other non-current assets		2,242	1,862	2,427
Total Non-current assets		305,956	302,763	314,296
Current assets				
Trade and other receivables		19,765	18,410	19,539
Other financial asset		-	785	844
Cash and cash equivalents	7	81,944	85,053	107,939
Restricted cash	7	17,687	10,547	2,980
Total current assets		119,396	114,795	131,302
Total Assets		425,352	417,558	445,598
Equity				
Share capital	9	56,333	56,333	56,333
Other equity		174,999	177,141	200,832
Total Equity attributable to equity holders of the parent		231,332	233,474	257,165
Non-current liabilities				
Non-current interest bearing debt	10	123,981	122,678	122,017
Deferred tax liabilities		7,813	7,813	7,813
Other non-current liabilities		18,795	18,795	18,795
Total Non-current liabilities		150,589	149,286	148,625
Current liabilities				
Current interest bearing debt	10	20,169	15,818	15,676
Accounts payable, accruals and other liabilities		23,262	18,980	24,132
Total current liabilities		43,431	34,798	39,808
Total Liabilities		194,020	184,084	188,433
Total Equity and Liabilities		425,352	417,558	445,598

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED SEPTEMBER 30, 2012

Q3 2011	Q2 2012	Q3 2012	USD 000 - (Unaudited)	YTD 2012	YTD 2011
<i>Restated</i>			Cash flows from operating activities		<i>Restated</i>
(16,354)	(5,593)	(588)	Net (loss)/ income for the period before tax	(3,217)	(21,729)
			Adjusted for:		
1,508	2,035	2,085	Depreciation	5,903	4,270
-	-	-	Fair value movements on warrants	-	(1,250)
-	222	-	Fair value movements in financial instruments	-	-
-	-	(891)	Other income	(891)	-
-	-	75	Loss on disposal of tangible assets	75	-
4,623	4,367	4,055	Net finance costs	11,320	15,048
239	364	131	Share based payments	864	931
12,247	5,132	897	Foreign exchange gains/losses	3,511	11,094
(4,010)	(58)	1,059	Increase/(decrease) in trade and other payables	(1,308)	(6,831)
7,202	(292)	(396)	(Increase)/decrease in trade and other receivables	831	4,665
(1)	1	-	Movement in other liabilities	-	(1,839)
(688)	(872)	(488)	Taxes paid	(2,182)	(688)
4,766	5,306	5,939	Net cash flows from operating activities	14,906	3,671
			Cash flows from investing activities		
(17,425)	(1,715)	(2,210)	Investment in exploration, production and other assets	(14,078)	(27,213)
-	-	16	Proceeds from disposal of tangible assets	16	-
(17,425)	(1,715)	(2,194)	Net cash flows from investing activities	(14,062)	(27,213)
			Cash flows from financing activities		
-	-	-	Net proceeds from issuance of shares	-	93,067
(256)	(9,090)	254	Net financial charges paid	(8,507)	(10,581)
136	275	(7,140)	Movement in restricted cash balance	(14,707)	(4,524)
(120)	(8,815)	(6,886)	Net cash flows from financing activities	(23,214)	77,962
(1,580)	(5,542)	32	Effect of foreign currency translation	(3,625)	(1,870)
(14,359)	(10,766)	(3,109)	Change in cash and cash equivalents during the period	(25,995)	52,550
127,178	95,819	85,053	Cash and cash equivalents at the beginning of the period	107,939	60,269
112,819	85,053	81,944	Cash and cash equivalents at the end of the period	81,944	112,819

The cash and cash equivalents above do not include restricted cash balance of USD 17.7 million (June 30, 2012: USD 10.5 million and September 30, 2011: USD 3.0 million).

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

Restatements represent reclassification of movement in restricted cash from operating activities to financing activities in the prior periods for consistent presentation.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended September 30, 2012 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
At December 31, 2011 - (Audited)	56,333	288,858	64,636	(108,223)	(37,647)	(6,792)	257,165
Net income/(loss) for the period	-	-	-	(9,706)	-	-	(9,706)
Other comprehensive income/(loss)	-	-	-	-	-	(16,991)	(16,991)
Total comprehensive income/(loss)	-	-	-	(9,706)	-	(16,991)	(26,697)
Employee share options	-	-	864	-	-	-	864
At September 30, 2012 - (Unaudited)	56,333	288,858	65,500	(117,929)	(37,647)	(23,783)	231,332

For the nine months ended September 30, 2011 <i>Amounts in USD 000</i>	Attributable to equity holders of the parent						Total
	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	
At December 31, 2010 - restated (Audited)	38,141	213,983	63,645	(77,978)	(37,647)	28,011	228,155
Net income/(loss) for the period	-	-	-	(25,184)	-	-	(25,184)
Other comprehensive income/(loss)	-	-	-	-	-	(32,217)	(32,217)
Total comprehensive income/(loss)	-	-	-	(25,184)	-	(32,217)	(57,401)
Share issue for cash	18,192	78,966	-	-	-	-	97,158
Transaction costs on share issue	-	(4,091)	-	-	-	-	(4,091)
Employee share options	-	-	931	-	-	-	931
At September 30, 2011 - restated - (Unaudited)	56,333	288,858	64,576	(103,162)	(37,647)	(4,206)	264,752

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

Notes to the condensed consolidated financial statements

1. Corporate information

The holding Company, Panoro Energy ASA, was incorporated on April 28, 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 office is Dronning Maudsgt. 1-3, 0124 Oslo, Norway.

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in Brazil and West Africa. The condensed consolidated financial statements of the Group for the period ended September 30, 2012 were authorised for issue by the Board of Directors on November 8, 2012.

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 in the Company's 2011 Annual report. The 2011 Annual report is available on the Company's website at <http://www.panoroenergy.com>.

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

2.1 Significant accounting policies

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's 2011 Annual report.

3. Segment information

The Group operated predominantly in one business segment being the exploration and production of oil and gas, which is split by geographic areas for management purposes and the two regions being West Africa and Brazil.

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

- The West African segment holds the following assets:
 - The Dussafu licence representing the Group's 33.3% working interest in the Dussafu Marin exploration licence in Gabon.
 - The OML113-Aje represents the Group's 6.5% participating interest (12.19% profit interest) in the OML113-Aje exploration licence in Nigeria.
 - The MKB Congo permit holds the Group's 20% working interest in MKB exploration licence in Republic of Congo.
- The Brazilian segment holds the following assets:
 - The BCAM-40 license holds the Group's 10% interest in Manati which is a producing field in Brazil. This also includes 10% interest in Camarao Norte field which is at a development stage.
 - The BS-3 Project holds the Group's interest in a portfolio of offshore licences in Santos basin, Brazil comprising 50% interest in Cavalo Marinho, 65% interest in Estrela do Mar and 35% in Coral field which is being considered for redevelopment.
 - Round 9 blocks represents the Group's 15% interest in blocks BM-S-63, BM-S-71 and BM-S-72. These blocks are in close proximity to the Coral field.
- The 'Corporate' category consists of head office and service company operations that are not directly attributable to the other segments.

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

Q3 2011	Q2 2012	Q3 2012		YTD 2012	YTD 2011
OPERATING SEGMENTS - GROUP NET SALES					
Group net sales BOE/day					
2,517	3,952	4,004	Manati - net of our interest	3,706	2,363
NET SALES					
Natural gas production (MMBtu)					
1,315,641	2,044,623	2,095,679	Manati - net of our interest	5,772,309	3,672,128
Price per unit					
Estimated gas price (USD/MMBtu before royalties and taxes)					
9.45	8.22	7.96	Manati	8.38	9.45

Q3 2011	Q2 2012	Q3 2012		YTD 2012	YTD 2011
OPERATING SEGMENTS - BRAZIL					
<i>in USD 000</i>					
Manati & Brazil Assets					
9,182	12,135	12,010	Sales – Gas and condensate	35,094	25,613
-	-	891	Other income	891	-
5,309	8,730	8,930	EBITDA	25,290	17,740
1,444	2,004	2,059	Depreciation and amortisation	5,784	4,082
68	-	-	Impairment of E&E assets	-	242
-	231,272	-	Segment assets	234,013	257,575
OPERATING SEGMENTS - WEST AFRICA					
<i>in USD 000</i>					
West Africa Assets					
(156)	(99)	(103)	EBITDA	(407)	(149)
-	114,601	-	Segment assets	122,130	94,034
CORPORATE					
<i>in USD 000</i>					
(2,822)	(2,104)	(2,172)	EBITDA	(6,427)	(8,985)
64	31	26	Depreciation and amortisation	119	188
-	71,685	-	Segment assets	69,209	112,244
CONSOLIDATED					
<i>in USD 000</i>					
9,182	12,135	12,010	Sales - Gas and condensate	35,094	25,613
-	-	891	Other income	891	-
2,331	6,527	6,655	EBITDA	18,456	8,606
1,508	2,035	2,085	Depreciation and amortisation	5,903	4,270
68	-	-	Impairment of E&E assets	-	242
-	417,558	-	Segment assets	425,352	463,853

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. Income tax

The major components of income tax in the interim consolidated statement of comprehensive income are:

Q3 2011	Q2 2012	Q3 2012		YTD 2012	YTD 2011
<i>USD 000 – (Unaudited)</i>				<i>USD 000 – (Unaudited)</i>	
			Income Taxes		
665	919	211	Current income tax	2,049	2,086
(5,520)	2,172	634	Deferred income tax	4,440	1,369
(4,855)	3,091	845	Total tax (benefit) / charge for the period	6,489	3,455

5. Earnings per share

Q3 2011	Q2 2012	Q3 2012		YTD 2012	YTD 2011
<i>(Unaudited)</i>			<i>Amounts in USD 000, unless otherwise stated</i>	<i>(Unaudited)</i>	
(11,499)	(8,684)	(1,433)	Net profit / (loss) attributable to equity holders of the parent	(9,706)	(25,184)
234,546	234,546	234,546	Weighted avg. no. of shares outstanding - in thousands	234,546	214,371
(4.90)	(3.70)	(0.61)	Basic and diluted earnings per share (USD cents)	(4.14)	(11.75)

Diluted earnings per share

The Group had 8,418,333 outstanding share options as of September 30, 2012 (June 30, 2012: 9,593,333 options) that are potentially dilutive ordinary shares. As of September 30, 2011, 5,890,000 share options were outstanding.

The share options in issue have an anti-dilutive effect on the earnings per share for the periods presented. In the current period the Company was in loss position and as such the effects of options were anti-dilutive on earnings.

6. License interests, exploration and evaluation assets and production assets

	Licence interest, exploration and evaluation assets <i>USD 000</i>	Production assets <i>USD 000</i>
Net book value		
At January 1, 2012 (<i>Audited</i>)	207,249	93,396
Additions	16,722	244
Depreciation	-	(5,632)
Foreign currency translation adjustments	(7,996)	(6,511)
At September 30, 2012 (<i>Unaudited</i>)	215,975	81,497

7. Cash and bank balances

	September 30, 2012 (<i>Unaudited</i>) <i>USD 000</i>	December 31, 2011 (<i>Audited</i>) <i>USD 000</i>
Cash and cash equivalents	81,944	107,939
Restricted cash	17,687	2,980
Cash and bank balances at the end of the period	99,631	110,919

Cash and cash equivalents at period end include USD 36 million of placements in high yield bond funds.

8. Exploration related costs

Q3 2011	Q2 2012	Q3 2012		YTD 2012	YTD 2011
<i>USD 000 – (Unaudited)</i>				<i>USD 000 – (Unaudited)</i>	
			Exploration related costs expensed		
62	286	172	Other exploration costs expensed / (reversed)	809	302
62	286	172	Total exploration costs charged to statement of comprehensive income	809	302

Other exploration costs primarily represent geological and geophysical costs, operator general and administration expenditure that do not meet the capitalisation criteria.

9. Share capital

The total number of ordinary shares in issue throughout the year period ended September 30, 2012 was 234,545,786 with a nominal value of NOK 342,547,498.77.

10. Interest bearing debt

	September 30, 2012		December 31, 2011	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>	<i>USD 000</i>
	Current	Non-current	Current	Non-current
Norway				
NOK denominated loan	5,278	31,525	3,899	29,909
USD denominated loan	14,891	92,456	11,777	92,108
Total	20,169	123,981	15,676	122,017

The amount above includes accrued interest to September 30, 2012 of USD 6,731,000 (December 31, 2011: USD 2,437,000) and is net of unamortized bond issue costs of USD 3,386,000 (December 31, 2011: USD 3,851,000).

The next interest payment of USD 6.3 million and NOK 13.8 million and the first principal repayment of USD 10.5 million and NOK 20.5 million are due in November 2012.

Other information

Glossary and definitions

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
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
MMBOE	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm³	Million cubic meters
Tcf	Trillion cubic feet

Disclaimer

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

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Notes

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