Panoro Energy

Second quarter and first half year report 2013

August 7, 2013

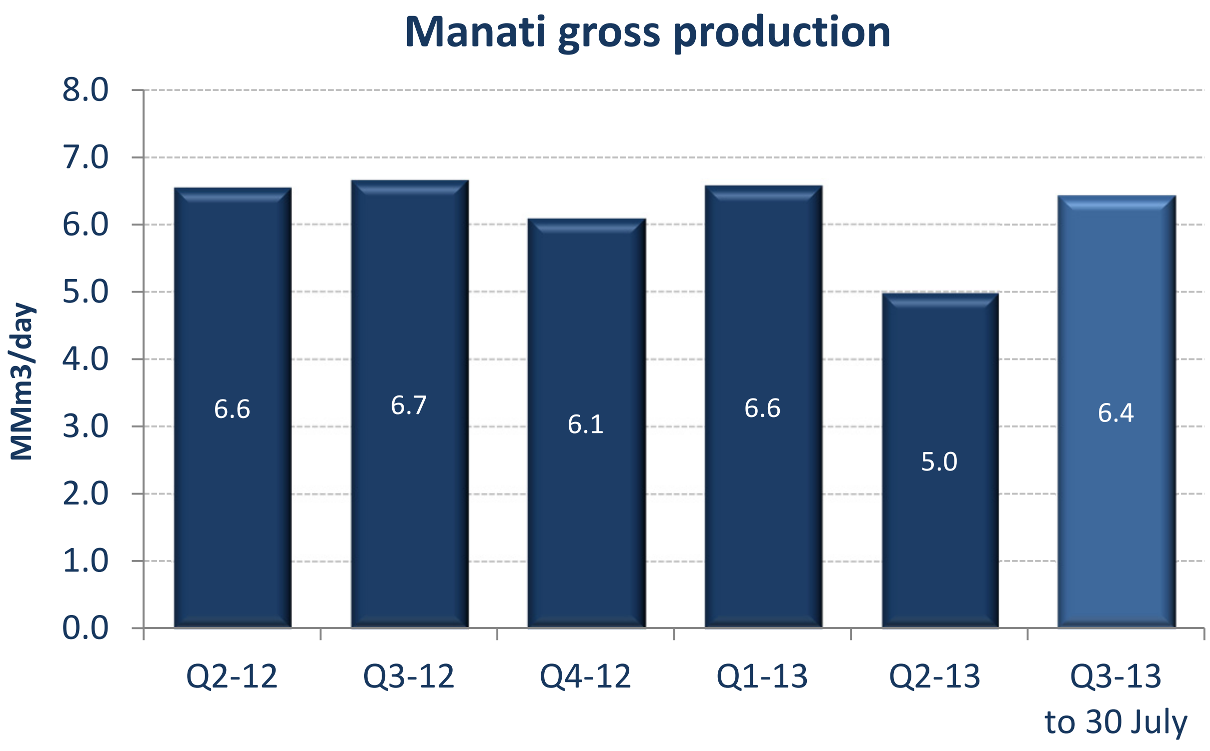
Contents

Highlights and events

Panoro Energy ASA and its subsidiaries ("Panoro Energy" or "the Company") report EBITDA of USD 3.4 million for the second quarter 2013. During the quarter, the Company announced divestment of its Brazilian subsidiary Rio das Contas for USD 140 million plus contingent earn-out, and sale of its interest in OML 113 in Nigeria for USD 30 million.

Second quarter 2013 highlights and subsequent events

- Group net gas sales averaged 2,997 BOE/day in the second quarter versus 3,955 BOE/day in the previous quarter
- Group EBITDA was USD 3.4 million, down from USD 8.0 million in the previous quarter
- Agreement signed to divest Brazilian subsidiary Rio das Contas for USD 140 million plus contingent earn-out of up to USD 20 million
- Agreement signed to divest OML 113 in Nigeria for USD 30 million
- Completed divestment of the MKB assets in Congo



Operational update

BRAZIL

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

Panoro Energy ASA's wholly-owned subsidiary Panoro Energy do Brasil Ltda on May 14, 2013 entered into a Sale and Purchase Agreement (SPA) to divest its Brazilian subsidiary Rio das Contas Produtora de Petróleo Ltda to GeoPark Brasil Ltda. Rio das Contas is the direct beneficial owner of 10% of the BCAM-40 block in the Camamu-Almada basin offshore Brazil, including the Manati and Camarão Norte fields, where Panoro Energy holds a 10% interest. With effect from April 30, 2013, this asset is being classified as an asset held for sale in the balance sheet until closing of the transaction upon approval by the Brazilian regulatory authority ANP.

The purchase consideration for the shares in Rio das Contas comprises an initial payment of USD 140 million, adjusted by working capital per April 30, 2013, to be paid in cash upon closing. In addition, a contingent earn-out will be paid in cash over the 5-year period from January 1, 2013 to December 31, 2017. The annual earn-out payments will equal 45 % of the annual net cash flow exceeding USD 25 million. The total earn-out is capped at USD 20 million. Cash proceeds from the transaction will be used to redeem Panoro Energy's outstanding bond loans (ISIN NO 001 059097.9 and NO 001 059096.1), which will leave Panoro Energy debt free.

The closing of the transaction will, amongst other conditions, depend on approval by the Brazilian regulatory authority ANP which can be anticipated within a nine month timeframe from submittal of the assignment documentation to ANP which was completed on June 27. The Transaction is expected to generate a net accounting gain for Panoro Energy which will be accounted for upon closing of the Transaction. The sale of Rio das Contas is nevertheless expected to generate limited or no payable tax for Panoro Energy. Panoro Energy and GeoPark have both given parent companies guaranties for their respective obligations under the SPA. If the transaction has not been closed within nine months from the signing of the SPA (May 14, 2013), each of the parties are entitled to terminate the agreement, unless GeoPark exercises its right to extend the closing deadline by an additional three months. Such extension must be exercised five business days prior to the deadline.

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

Average gas production from Manati was 5.0 million m3 per day in the second quarter (3,140 BOE/day net to Panoro), resulting in sales of 2,997 BOE/day. The production figures represent a decrease of approximately 24% compared to both the first quarter 2013 and the second quarter 2012, which is explained by the scheduled 21-day shutdown in April for maintenance of the gas treatment plant (EVF) and the platform (PMNT-1).

The shutdown went according to plan and the field has been producing from all six wells since completion of the maintenance program. Average production in Q3 2013 has been 6.4 million m3 /day to date (4,051 BOE/day net to Panoro).

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

The Brazilian National Petroleum Agency ANP has given the operator Petrobras 90 days from June 18 to manifest its position regarding the requirements set by ANP in connection with the development plans for the fields. If the concession holders do not comply with these requirements, ANP has informed that the concessions could be revoked. The main issues contested by the consortium are the requirements set by ANP for pilot wells to test the potential of the B1 zones (a shallower and tight formation with hydrocarbons identified above the main formations). The joint venture is evaluating alternatives to meet ANP's requirements and maintain license ownership.

Following the unsuccessful testing of the pre-salt potential in a nearby exploration well the consortium partners in Coral have decided to relinquish the Coral field, as the partners could not economically justify developing the field with the limited upside potential combined with the requirements set by ANP.

CONGO-BRAZZAVILLE

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

In early July 2013, Panoro Energy ASA announced that its wholly owned subsidiary Prevail Energy Congo SAU completed the sale of its 20% interest in the MKB permit in Congo to the operator Société Nationale des Pétroles du Congo ("SNPC") for an undisclosed amount. The transaction was approved by the Congolese authorities and the transaction settlement was completed and the proceeds have been received by Panoro.

GABON

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

Technical studies have continued on the Tortue well data with core and oil sample analyses being incorporated into the reservoir simulation modelling of the field. The results of these analyses have been largely positive for the project, particularly for the Gamba reservoir which has demonstrated better reservoir and fluid characteristics than initially interpreted from the wireline data alone. The studies are continuing with further analyses of the technical data.

The operator has updated the Tortue contingent resource range to 8-55 MMbbl, with mean contingent resources of 28 MMbbl. The operator now estimates total mean contingent resources on Dussafu of 49 MMbbl, up from the previous estimate of 46 MMbbl. Both the operator and Panoro believe that there are now sufficient resources to support a development project.

In parallel with the subsurface studies, the operator is continuing with the development planning. Based on the latest schedule provided by the operator, the current estimate for production start-up is March 2015. The development concept under discussion comprises an FPSO close to Tortue with subsea tiebacks to Ruche and possibly Walt Whitman. Preliminary meetings with the Gabonese Government were held in July to discuss the project.

The central 3D seismic processing has now been completed. Technical interpretation of the seismic has commenced and is generating additional prospects in the licence area. In addition, a new outboard 3D seismic is being considered to target the Dentale potential. This potential has been observed in the existing 2D data and is now also strongly supported by the high quality Dentale reservoir found in the Tortue discovery.

In parallel with these activities, Harvest Natural Resources, the operator of the licence holding 66.667%, is currently running a farm-out process on the asset. Progress on the field developments and additional seismic acquisition may be impacted by the farm-out process.

NIGERIA

OML113 Aje Field: YFP (Operator), Panoro Energy (6.5% participating interest)

In June 2013, Panoro Energy ASA's wholly owned subsidiary Pan-Petroleum Aje Limited entered into a Sale and Purchase Agreement with the Nigerian company Lekoil 113 Nigeria Limited (the Buyer) for the sale of Panoro's 6.502% participating interest in the OML113 license offshore Nigeria for a consideration of USD 30 million.

Lekoil 113 Nigeria Limited is a subsidiary company of Lekoil Limited which is listed on the London Stock Exchange AIM. In accordance with the agreement, a USD 3 million bid bond was provided by the Buyer. The Buyer is now required to deposit the USD 30 million purchase price plus 2013 costs into an escrow account by September 15, after which government approval for the assignment of interest will be sought. Should government approval not be achieved by November 9, 2013, Pan Petroleum Aje Limited will enter into a Financial and Technical Services Agreement with Lekoil, which once in place will result in a release of the escrow funds to Panoro.

Financial information

Income statement review

<u>Second quarter 2013 versus first quarter 2013</u>

Panoro Energy reported EBITDA of USD 3.4 million for the second quarter 2013, compared to USD 8.0 million in the first quarter. The decrease was primarily explained by the scheduled maintenance shutdown of Manati field between April 5 and April 26.

Oil and gas revenue in the second quarter 2013 was USD 9.5 million, down from USD 12.7 million in the first quarter. The volume sold decreased by 958 BOE/day, or 24.2%, whereas the realised sale price decreased by 3.4% from USD 8.73 to USD 8.43/MMBtu.

The lower gas price reflects a 10% weakening of the 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 second quarter were USD 2.8 million, compared to USD 1.2 million in the previous quarter, reflecting the maintenance expenditure on the Manati field in April 2013. Exploration costs decreased to USD 0.1 million in the second quarter, from USD 0.2 million in the first quarter.

Strategic review costs were USD 0.5 million in the second quarter, an increase from USD 0.2 million compared to the previous quarter. These costs represent identifiable overheads incurred on the ongoing divestment programme. Part of these costs are incremental selling costs which, on completion of RdC and OML 113 sale transactions, will be reclassified to the gain/loss on disposal. These costs are of a one-off nature and will discontinue once these processes are concluded.

General and administration costs amounted to USD 2.7 million in the second quarter, compared to USD 3.1 million in the first quarter. The reduction is according to plan and part of the ongoing cost reduction programme undertaken by management.

Depreciation decreased to USD 0.3 million in the second quarter, from USD 2.1 million in the first quarter. With effect from April 30, 2013, the depreciation of production assets and equipment has been suspended after classification of Manati as a held for sale item which explains the decline.

The Company recognized impairment of USD 0.1 million in relation to costs incurred on Round 9 licenses in the second quarter 2013, compared to a charge of USD 0.2 million recognised in the first quarter.

A share based payments charge of USD 0.1 million was recognised in the second quarter, compared to a reversal of USD 0.1 million in the previous quarter.

Loss of USD 1.7 million on sale of MKB permit was recognised in the second quarter.

EBIT was thus a positive USD 1.2 million in the second quarter, compared to USD 5.8 million in the first quarter.

Net financial items amounted to a negative USD 15.9 million in the second quarter, including net interest costs of USD 3.4 million, net other financial costs of USD 0.3 million, a net foreign exchange loss of USD 0.3 million, and a USD 12.0 million charge for reassessment of bond liability required under the guidance of IAS 39.The latter represents a discounted value of the bond liability assuming a maximum of six month redemption and is expected to coincide with the closing of the sale transaction of Rio das Contas to GeoPark.

In the first quarter, net financial items were a negative USD 2.4 million, included net interest costs of USD 3.7 million, net other financial costs of USD 0.2 million, and a net foreign exchange loss of USD 1.6 million.

The decrease in net interest costs reflects marginally better returns of cash deposits in comparison to the first quarter together with strengthening of USD against NOK. Other financial costs increased marginally whereas foreign exchange losses primarily reflect exchange differences on assets and liabilities that are not denominated in USD.

Income before tax was a negative USD 14.7 million in the second quarter, compared to positive income of USD 3.4 million in the previous quarter.

The Group recognized an income tax benefit of USD 0.6 million in the second quarter compared to a tax charge of USD 2.3 million in the previous quarter, reflecting lower taxable income due to the Manati maintenance shutdown during the quarter.

The loss for the quarter was thus USD 14.0 million, compared to a net income of USD 1.1 million in the previous quarter.

Other comprehensive income of a negative USD 14.6 million was a result of translating Brazilian subsidiaries for reporting purposes, reflecting a weakening of the BRL against USD of approximately 10% during the quarter. Other comprehensive income was a positive USD 2.2 million in the first quarter.

Year to date 2013 versus year to date 2012

Panoro Energy reported EBITDA of USD 11.3 million for the six months ended June 30, 2013 compared to USD 11.8 million for the same period in 2012.

The decrease in EBITDA was primarily driven by lower gas sales revenue from the Manati field due to scheduled maintenance work carried out in April 2013.

Year to date oil and gas revenue was USD 22.2 million, down from USD 23.1 million in the same period last year. The volume sold decreased by 82 BOE/day or 2.3%. Despite the annual inflationary gas price increase in BRL, realised price declined slightly from USD 8.62 to USD 8.60/MMBtu, reflecting a weakening of the BRL against USD. Gas sale prices are fixed in BRL and therefore subject to currency movements on translation to USD for reporting purposes.

Production costs were USD 4.0 million in the current period compared to USD 2.7 million in the same period last year, with the increase explained by the scheduled maintenance costs in 2013.

Exploration related costs amounted to USD 0.3 million, down from USD 0.6 million in six months to June 30, 2012. The decline is mainly due to lower operator overhead costs in the current period.

Strategic review costs in the current period amounted to USD 0.8 million, representing identifiable overheads incurred on the ongoing divestment programme. Part of these costs are incremental selling costs which, on completion of RdC and OML 113 sale transactions, will be reclassified to the gain/loss on disposal. These costs are of a one-off nature and will discontinue once these processes are concluded.

General and administration costs decreased to USD 5.8 million in the six months to June 2013, compared to USD 7.9 million in the same period of 2012. The reduction reflects an ongoing cost reduction programme undertaken by management.

Depreciation decreased to USD 2.4 million from USD 3.8 million in the first six months of 2012. With effect from April 30, 2013, the depreciation of production assets and equipment has been suspended after classification as a held for sale item which explains the decline.

Impairment charges of USD 0.3 million were recognized in the period ended June 30, 2013, owing to expenditure on Round-9 blocks before relinquishment. There were no impairment charges in the six months to June 30, 2012.

Share based payment charges were nil in the current period compared to USD 0.7 million in the comparative period. The decline is mainly due to leavers and a declining vesting balance of options granted in the prior years.

Loss on disposal of Company's MKB permit in Republic of Congo was USD 1.7 million which was recognised during the second quarter of 2013.

This generated an EBIT of USD 7.0 million in the six months to June 30, 2013, compared to USD 7.3 million in the previous year.

Net financial items amounted to a negative USD 18.3 million in the six months to June 30, 2013, including net interest costs of USD 7.1 million, net other financial costs of USD 0.5 million, a net foreign exchange gain of USD 1.3 million, and a USD 12.0 million charge was recognised for reassessment of bond liability required under the guidance of IAS 39.The latter represents a discounted value of bond liability assuming a maximum of six month redemption assumption and is expected to coincide with the closing of the sale transaction of Rio das Contas to GeoPark.

This compared to net financial items of a negative USD 9.9 million in the six months ended June 30, 2012, including net interest costs of USD 6.0 million, net other financial costs of USD 1.3 million, and a net foreign exchange loss of USD 2.6 million.

Loss before tax was USD 11.3 million for the period ended June 30, 2013, compared to USD 2.6 million in the same period of 2012.

The Group recognized an income tax charge of USD 1.7 million in the six months to June 2013, compared to USD 5.6 million in the comparative period in 2012. 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 12.9 million in the first six months of 2013, compared to a net loss of USD 8.3 million for the same period of 2012.

Other comprehensive income of a negative USD 12.5 million reflects translation of Brazilian subsidiaries for reporting purposes. The movement was a result of an 8.42% BRL weakening against USD during the period to June 2013. In the previous year to June 2012, other comprehensive income was a negative USD 16.2 million.

Statement of financial position review

Movements to June 30, 2013 from March 31, 2013

Movements in the Group statement of financial position during the second quarter of 2013 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 121.7 million at June 30, 2013, a decrease of USD 167.8 million from March 31, 2013.

Licences and exploration assets amounted to USD 101.2 million, a decrease of USD 94.7 million since March 2013. The main reason for the decline was classification of licences and exploration assets of USD 36.5 million to assets held for sale, and decline of USD 56.4 million due to disposal of MKB permit. The remaining difference can be explained by additions of USD 2.1 million mainly incurred on Manati and Tortue well, and negative currency translation adjustments of USD 4.2 million.

Production assets and equipment were classified as held for sale and amounted to USD 62.9 million, which was a decrease of USD 5.7 million since March 2013. This comprise additions of USD 0.7 million, depreciation of USD 0.2 million, and USD 6.2 million in negative effects of currency movements.

Property, furniture, fixtures and equipment was USD 0.6 million, declining from USD 1.0 million at March 31, 2013. The decline can be explained by reclassification to assets held for sale.

Deferred tax assets decreased slightly to USD 19.9 million per June 30, 2013, compared to USD 21 million per March 31, 2013.

Other non-current assets of USD 2.7 million were all reclassified to assets held for sale and amounted 3.0 million per March 31, 2013, mainly consisting of a long term deposit related to the Manati abandonment fund. The decline is a result of payments out of the fund to cover for BAS-128 well decommissioning on BCAM-40 license area.

Current assets

Current assets amounted to USD 77.8 million per June 30, 2013, compared to USD 89.3 million per March 31, 2013.

Trade and other receivables stood at USD 37.0 million, an increase from USD 20.9 million at the end of March 2013. Receivables amounting to USD 11.8 million were also reclassified to assets held for sale in the current period. The main increase in receivable is a balance due from SNPC on divestment of MKB permit.

Cash and bank balances stood at USD 40.9 million per June 30, 2013, a decrease from USD 68.5 million per March 31, 2013. The decrease is mainly impacted by cash call payments relating to the Tortue drilling in Gabon together with classification of USD 11.1 million cash in Rio das Contas under assets held for sale, which will form part of the final recoverable working capital adjustment on closing of Manati sale to GeoPark.

Assets classified as held for sale

Assets classified as held for sale per June 30, 2013 of USD 125 million represent reclassifications of divested balances in relation to OML 113 (Aje) and Rio das Contas (Manati) in accordance with the requirements of IFRS 5. The breakdown of this balance can be referred to in note 8 of the financial statements.

Equity

Equity amounted to USD 165.4 million per June 30, 2013, compared to USD 195.3 million at the end of March 2013. The change reflects the loss for the period and negative effects of currency translation adjustment which was impacted by a decline in BRL against USD by almost 10% during the quarter. The equity ratio was 51% at the end of June 2013, declining from 52% at the end of March 2013.

Non-current liabilities

Total non-current liabilities amounted to USD 3.5 million per June 30, 2013, declining from USD 130.5 million at the end of March 2013.

Interest bearing debt (net of issue costs) totalled USD 135.8 million at the end of June 2013 and was classified as short term. The liability at June 30 also included USD 12.0 million of fair value adjustment that was required under IAS 39 AG8 because of the higher likelihood of bond repayment becoming due to the imminent divestment of Manati against which the bond is secured. At March 31, 2013, non-current portion of interest bearing debt was USD 109.7 million.

Deferred tax liabilities amounted to USD 8.7 million at the end of the quarter and were classified as held for sale items. In comparison, deferred tax liabilities were USD 11.8 million at the end of March 2013. The decrease reflects reversal of deferred tax liability attributable to MKB on recognising the disposal.

Other non-current liabilities were USD 3.5 million at the end of June 2013 and compared to USD 9.0 million at March 2013. The portion of other non-current liabilities classified as held for sale was USD 2.2 million. The decline on a combined basis was due to reversal of acquisition related liabilities which were no longer required after divestment of MKB.

Current liabilities

Current liabilities amounted to USD 139.6 million at June 30, 2013, compared to USD 53.0 million at the end of March 2013.

Current interest bearing debt (net of issue costs) including remeasurement of bond liability was USD 135.8 million, an increase from USD 19.2 million per the end of March 2013. This mainly represents reclassification of the entire bond liability to current.

Accounts payable, accruals and other liabilities amounted to USD 3.8 million, a decrease from USD 33.8 million at the end of March 2013. The decrease is a result of reversal of USD 20.0 million of liabilities towards joint ventures together with USD 3.9 million of current payables reclassified as held for sale items.

Liabilities directly associated with assets classified as held for sale

Liabilities directly associated with assets classified as held for sale per June 30, 2013 of USD 14.7 million represents reclassifications of divested balances in relation to OML 113 (Aje) and Rio das Contas (Manati) in accordance with the requirements of IFRS 5. The breakdown of this balance can be referred to in note 8 of the financial statements.

Movements to June 30, 2013 from December 31, 2012

Movements in the Group statement of financial position during the first half of 2013 were a combination of the following:

Non-current assets

Non-current assets amounted to USD 121.7 million at June 30, 2013, a decrease of USD 154.1 million from December 31, 2012.

Licences and exploration assets amounted to USD 101.2 million, a decrease of USD 81.4 million since December 2012. The main reason for the decline was classification of licences and exploration assets of USD 36.5 million to assets held for sale, and decline of USD 56.4 million due to divestment of MKB permit. The remaining difference can be explained by additions of USD 15.1 million mainly incurred on Tortue well on Dussafu licences, and currency translation adjustments of negative USD 3.5 million.

Production assets and equipment (Manati) was classified as held for sale and amounted to USD 62.9 million, which was a decrease of USD 6.6 million since December 2012 including additions of USD 1.0 million, depreciation of USD 2.2 million and USD 5.4 million in negative effects of currency movements.

Property, furniture, fixtures and equipment was USD 0.6 million, declining from USD 1.0 million at December 31, 2012. The decline can be explained by reclassification to assets held for sale.

Deferred tax assets decreased slightly to USD 19.9 million per June 30, 2013, compared to USD 20.1 million per December 31, 2012.

Other non-current assets were all reclassified to assets held for sale and amounted to USD 2.7 million per June 30, 2013 versus USD 2.7 million per December 31, 2012, mainly consisting of a long-term deposit related to the Manati abandonment fund. The decrease of USD 0.5 million was a result of payments out of the fund in the first half of 2013 to cover for BAS-128 well decommissioning on BCAM-40 license area off set by the reclassification of furniture and fixtures of USD 0.5 million as assets held for sale.

Current assets

Current assets amounted to USD 77.8 million per June 30, 2013, compared to USD 92.5 million per December 31, 2012.

Trade and other receivables stood at USD 37.0 million, an increase from USD 19.0 million at the end of December 2012. Receivables for Manati gas amounting to USD 11.8 million were also reclassified to assets held for sale in the current period, as this is part of the working capital adjustment. The main increase in receivable is a balance due from SNPC on divestment of the MKB permit.

Cash and bank balances stood at USD 40.9 million per June 30, 2013, a decrease from USD 73.5 million per December 31, 2012. The decrease is mainly impacted by cash call payments relating to the Tortue drilling in Gabon, together with classification of USD 11.1 million cash in Rio das Contas under assets held for sale, which will form part of the final recoverable working capital adjustment on closing of Manati sale to GeoPark.

Assets classified as held for sale

Assets classified as held for sale per June 30, 2013 of USD 125.0 million represents reclassifications of divested balances in relation to OML 113 (Aje) and Rio das Contas (Manati) in accordance with the requirements of IFRS 5. The breakdown of this balance can be referred to in note 8 of the financial statements.

Equity

Equity amounted to USD 165.4 million per June 30, 2013, compared to USD 192.1 million at the end of December 2012. The change reflects the loss for the period and negative currency translation effects impacted by a decline in BRL against USD by approximately 8% since December 2012. The equity ratio was 51% at the end of June 2013, declining from 52% at the end of December 2012.

Non-current liabilities

Total non-current liabilities amounted to USD 3.5 million per June 30, 2013, declining from USD 130.6 million at the end of December 2012.

Interest bearing debt (net of issue costs) of USD 135.8 million at the end of June 2013 was classified as short term. The liability at June 30 also included USD 12.0 million of remeasurement that was required under IAS 39 AG8 because of the higher likelihood of bond repayment becoming due to the imminent divestment of Manati against which the bond is secured. At December 31, 2012, non-current portion of interest bearing debt was USD 110.8 million.

Deferred tax liabilities were reported under held for sale items amounting to USD 8.7 million at the end of June 2013, compared to USD 10.8 million at the end of December 2012. The decrease reflects the reversal of deferred tax liability attributable to MKB on disposal.

Other non-current liabilities were USD 3.5 million at the end of June 2013 and compared to USD 9.0 million at December 2012. Portion of other non-current liabilities classified as held for sale was USD 2.2 million. The decline on a combined basis was due to reversal of acquisition related liabilities which were no longer required after divestment of MKB.

Current liabilities

Current liabilities amounted to USD 139.6 million at June 30, 2013, compared to USD 45.6 million at the end of December 2012.

Current interest bearing debt (net of issue costs) including fair value adjustment was USD 135.8 million, an increase from USD 15.5 million per the end of December 2012. This mainly represents reclassification of the entire bond liability to current.

Accounts payable, accruals and other liabilities amounted to USD 3.8 million, a decrease from USD 30.1 million at the end of December 2012. The decrease is a result of reversal of USD 20 million of liabilities towards W.A. joint venture together with USD 3.9 million of current payables reclassified as held for sale items.

Liabilities directly associated with assets classified as held for sale

Liabilities directly associated with assets classified as held for sale per June 30, 2013 represents reclassifications of divested balances in relation to OML 113 (Aje) and Rio das Contas (Manati) in accordance with the requirements of IFRS 5. The breakdown of this balance can be referred to in note 8 of the financial statements.

Bonds, debt and other financial information

The Company was in compliance with its loan covenants at the end of the second quarter 2013. The equity ratio was 51% at the end of June 2013, down by 1% from March 2013. The stock price closed the quarter at NOK 3.00/share.

The closing of the Rio das Contas transaction will trigger a mandatory redemption of Panoro Energy's outstanding USD and NOK bond tranches (PEN 01 PRO and PEN 02 PRO), totalling USD 123.8 million as of June 30,2013. The redemption price for the bonds will either be equal to 108% of par value plus accrued interest, if closing occurs prior to November 15, 2013, or equal to

106% of par value plus accrued interest if closing occurs on or after November 15, 2013. Closing of the transaction and mandatory redemption is conditional inter alia on the receipt of the ANP approval. The repayment of the bonds will leave the Company debt free and the proceeds from the other asset divestments will result in the Company holding a significant net cash position which will provide substantial flexibility for the future.

Funding

Cash and bank balances amounted to USD 40.9 million at June 30, 2013, including restricted cash of USD 9.6 million. In addition, USD 11.1 million of cash equivalents held in the Company's subsidiary Rio das Contas have been classified as held for sale and will form part of the recoverable working capital settlement on the closing of the sale transaction. Proceeds from the MKB transaction were received after closing of the quarter and hence is booked as receivables in the accounts. Gross interest bearing debt excluding USD 12.0 million of fair value adjustment was USD 123.8 million per June 30, 2013. The next interest and principal payment is due in November 2013, respectively amounting to USD 7.7 million and USD 13.9 million.

Risks & uncertainties

Financial risks & uncertainties

The Company may be unable to raise sufficient funds through public or private financing, strategic relationships and/or other arrangements to meet its future capital and operating expenditure needs. Similarly, the Company may be unable to obtain such funding in order for it to implement its growth strategy or take advantage of opportunities for acquisitions, joint ventures or other business opportunities. Negative market development or any unforeseen liabilities may lead to a strained liquidity position and the potential need for additional funding through equity financing, debt financing or other means.

There can be no assurance that any funding will be available on sufficiently attractive terms. Furthermore, any debt financing, if available, may involve restrictive covenants. If the financing available to the Company is insufficient to meet its financing needs, it may be forced to reduce or delay capital expenditures, sell assets or businesses at unanticipated times and/or at unfavorable prices or other terms, seek additional equity capital or restructure or refinance its debt. There can be no assurance that such measures would be successful, would be adequate to meet the Company's financing needs or would not result in the Company being placed in a less competitive position.

The Company is exposed to credit risk that arises from cash and cash equivalents, derivative financial instruments and deposits in money-market and fixed income funds with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Any credit losses incurred by the Company may have a material adverse effect on the Company's business, financial condition, results of operations and cash flow.

The Company operates internationally and is exposed to risk arising from various currency exposures, primarily with respect to the Norwegian Kroner (NOK), the US dollar (USD) and the Brazilian Real (BRL).

Because the Company reports its consolidated results in USD, any change in exchange rates between its operating subsidiaries' functional currencies and the USD affects its consolidated income statement and balance sheet when the results of those operating subsidiaries are translated into USD for reporting purposes. Decreases in the value of its operating subsidiaries' functional currencies against the USD tend to reduce those operating subsidiaries' contributions in USD terms to the Company's business, financial condition, results of operations and cash flow.

In addition to currency translation risk, the Company is exposed to fluctuations in the currencies in which its costs and expenses are incurred. Decreases in the value of its operating subsidiaries' functional currencies against other currencies in which costs and expenses are incurred will increase operating subsidiaries' costs and expenses and negatively impact their operating margins.

The nature of the Company's industry is subject to considerable price volatility, over which the Company holds little control, and a material decline in commodity prices could result in a decrease in our production revenue. To manage this risk, the Company strives to keep a balance between fixed and floating price contracts; however there can be no assurance that such measures are sufficient to mitigate this risk. A decline in commodity prices may as a consequence materially and adversely affect the Company's business, financial condition, results of operations and cash flow.

The Company will in certain situations need to obtain consents and approvals from governmental authorities and other third parties in connection with change of ownership and corporate restructurings. A number of the Company's contracts have change of control or pre-emption clauses. There can be no assurance that such consents will be granted, or that they will be granted free of conditions, in each case.

Operational risks & 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.

The closing of the divestment transactions of Rio das Contas and the OML 113 interest depend amongst other conditions on governmental approval and as such carry customary risk for closing should these approvals not be given.

Outlook

Panoro Energy's divestment of its Brazilian subsidiary Rio das Contas to GeoPark is progressing according to plan and ANP approval is expected within the next few months.

The sale of OML 113 to Lekoil is also progressing according to plan. Funds are expected to be received into an escrow account by mid-September, after which Nigerian government approval for the transaction will be sought.

Panoro Energy is continuing discussions with ANP and Petrobras with regards to the Cavalo Marinho and Estrela do Mar licenses (BS-3). Ongoing discussions with ANP during the month of September will be important for the BS-3 project. Panoro is working on alternative solutions, but the timing and likelihood of any outcome is uncertain due to the outstanding issues in the partnership.

Our partner, Harvest, has indicated it expects to conclude its farm-out during the third quarter.

The Company is continuing its cost-reduction initiatives and will establish a cost efficient organizational setup.

The Company has retained Evercore as advisor to evaluate strategic alternatives following completion of the divestments.

The Board of Directors

Panoro Energy ASA

Oslo, August 7, 2013

Endre Ording Sund
Chairman

Tone Kristin Omsted
Board member

Silje Christine Augustson
Board member

Dr. George Edward Watkins
Board member

Condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2013

Q2 2012	Q1 2013	Q2 2013	*Amounts in USD 000*	Note	YTD 2013	YTD 2012
	(Unaudited)				*(Unaudited)*	
12,135	12,725	9,484	Oil and gas revenue		22,209	23,084
12,135	**12,725**	**9,484**	**Total revenues and other income**		**22,209**	**23,084**
(1,504)	(1,217)	(2,803)	Production costs		(4,020)	(2,726)
(286)	(216)	(117)	Exploration related costs		(333)	(637)
-	(230)	(520)	Strategic review costs		(750)	-
(3,818)	(3,105)	(2,685)	General and administrative costs		(5,790)	(7,920)
6,527	**7,957**	**3,359**	**EBITDA**		**11,316**	**11,801**
(2,035)	(2,100)	(256)	Depreciation		(2,356)	(3,818)
-	(150)	(121)	Impairment		(271)	-
(364)	70	(70)	Share based payments		-	(733)
-	-	(1,667)	Gain / (loss) on sale of exploration and evaluation assets (net of tax)	8	(1,667)	-
4,128	**5,777**	**1,245**	**EBIT - Operating income/(loss)**		**7,022**	**7,250**
(3,462)	(3,706)	(3,441)	Interest costs net of income		(7,147)	(5,974)
(905)	(210)	(263)	Other financial costs net of income		(473)	(1,291)
(222)	-	-	Movement in fair value of financial instrument		-	-
-	-	(11,967)	Effects of reassessment of bond liability		(11,967)	-
(5,132)	1,562	(252)	Net foreign exchange gain/(loss)		1,310	(2,614)
(5,593)	**3,423**	**(14,678)**	**Income/(loss) before tax**		**(11,255)**	**(2,629)**
(3,091)	(2,314)	644	Income tax benefit/(expense)	4	(1,670)	(5,644)
(8,684)	**1,109**	**(14,034)**	**Net income/(loss) for the period**		**(12,925)**	**(8,273)**
(19,341)	2,177	(14,628)	Exchange differences arising from translation of foreign operations		(12,451)	(16,151)
(19,341)	**2,177**	**(14,628)**	**Other comprehensive income/(loss) for the period (net of tax)**		**(12,451)**	**(16,151)**
(28,025)	**3,286**	**(28,662)**	**Total comprehensive income/(loss) for the period**		**(25,376)**	**(24,424)**
			Net income /(loss) for the period attributable to:			
(8,684)	1,109	(14,034)	Equity holders of the parent		(12,925)	(8,273)
			Total comprehensive income/(loss) for the period attributable to:			
(28,025)	3,286	(28,662)	Equity holders of the parent		(25,376)	(24,424)
(0.04)	-	(0.06)	**Earnings per share** (Note 5) (USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent		(0.06)	(0.04)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2013

Amounts in USD 000	Note	June 30, 2013	March 31, 2013	December 31, 2012
		(Unaudited)	*(Unaudited)*	*(Audited)*
Non-current assets				
Licenses and exploration assets	6	101,214	195,957	182,569
Production assets and equipment	6	-	68,570	69,417
Property, furniture, fixtures and office equipment		596	972	1,021
Deferred tax assets		19,873	20,951	20,140
Other non-current assets		-	3,048	2,632
Total non-current assets		**121,683**	**289,498**	**275,779**
Current assets				
Trade and other receivables		36,969	20,863	19,019
Cash and cash equivalents	7	31,273	58,291	70,623
Restricted cash	7	9,587	10,175	2,880
Total current assets		**77,829**	**89,329**	**92,522**
Assets classified as held for sale	8	124,980	-	-
Total assets		**324,492**	**378,827**	**368,301**
Equity				
Share capital	9	56,333	56,333	56,333
Other equity		110,394	138,986	135,770
Equity attributable to equity holders of the parent		**166,727**	**195,319**	**192,103**
Non-current liabilities				
Non-current interest bearing debt	10	-	109,714	110,801
Deferred tax liabilities		-	11,784	10,817
Other non-current liabilities		3,500	9,034	8,953
Total non-current liabilities		**3,500**	**130,532**	**130,571**
Current liabilities				
Current interest bearing debt	10	135,794	19,223	15,496
Accounts payable, accruals and other liabilities		3,808	33,753	30,131
Total current liabilities		**139,602**	**52,976**	**45,627**
Liabilities directly associated with assets classified as held for sale	8	14,663	-	-
Total liabilities		**157,765**	**183,508**	**176,198**
Total equity and liabilities		**324,492**	**378,827**	**368,301**

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED JUNE 30, 2013

Q2 2012	Q1 2013	Q2 2013	*Amounts in USD 000* *(Unaudited)*	YTD 2013	YTD 2012
			Cash flows from operating activities		
(5,593)	3,423	(14,678)	Net (loss)/ income for the period before tax	(11,255)	(2,629)
			Adjusted for:		
2,035	2,100	256	Depreciation	2,356	3,818
222	-	-	Fair value movement in financial instrument	-	-
-	-	11,967	Effect of remeasurement of bond liability	11,967	-
-	-	1,667	Loss on disposal of exploration and evaluation assets	1,667	-
4,367	3,916	3,704	Net finance costs	7,620	7,265
364	(70)	70	Share-based payments	-	733
5,132	(1,562)	252	Foreign exchange gains/losses	(1,310)	2,614
(57)	(1,475)	3,105	Increase/(decrease) in trade and other payables	1,630	(2,367)
(292)	166	(940)	(Increase)/decrease in trade and other receivables	(774)	1,227
(872)	(1,402)	(608)	Taxes paid	(2,010)	(1,694)
5,306	**5,096**	**4,795**	**Net cash flows from operating activities**	**9,891**	**8,967**
			Cash flows from investing activities		
(1,715)	(10,742)	(8,114)	Investment in exploration, production and other assets	(18,856)	(11,868)
-	-	(11,131)	Cash and cash equivalents classified as held for sale	(11,131)	-
(1,715)	**(10,742)**	**(19,245)**	**Net cash flows from investing activities**	**(29,987)**	**(11,868)**
			Cash flows from financing activities		
(9,090)	(540)	(9,321)	Net financial charges paid	(9,861)	(8,761)
275	(7,295)	588	Movement in restricted cash balance	(6,707)	(7,567)
(8,815)	**(7,835)**	**(8,733)**	**Net cash flows from financing activities**	**(16,568)**	**(16,328)**
(5,542)	1,149	(3,835)	Effect of foreign currency translation adjustment on cash balances	(2,686)	(3,657)
(10,766)	(12,332)	(27,018)	Change in cash and cash equivalents during the period	(39,350)	(22,886)
95,819	70,623	58,291	Cash and cash equivalents at the beginning of the period	70,623	107,939
85,053	**58,291**	**31,273**	**Cash and cash equivalents at the end of the period**	**31,273**	**85,053**

The cash and cash equivalents above do not include restricted cash balance of USD 9.6 million (March 31, 2013: USD 10.2 million and June 30, 2012: USD 10.5 million). Cash and cash equivalents of USD 11.1 million were classified as assets held for sale on June 30, 2013.

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2013 *Amounts in USD 000*	**Attributable to equity holders of the parent** Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At January 1, 2013 - (Audited)	**56,333**	**288,858**	**65,786**	**(156,035)**	**(37,647)**	**(25,192)**	**192,103**
Net income/(loss) for the period	-	-	-	1,109	-	-	1,109
Other comprehensive income/(loss)	-	-	-	-	-	2,177	2,177
Total comprehensive income/(loss)	-	-	-	1,109	-	2,177	3,286
Employee share options	-	-	(70)	-	-	-	(70)
At March 31, 2013 - (Unaudited)	**56,333**	**288,858**	**65,716**	**(154,926)**	**(37,647)**	**(23,015)**	**195,319**
Net income/(loss) for the period	-	-	-	(14,034)	-	-	(14,034)
Other comprehensive income/(loss)	-	-	-	-	-	(14,628)	(14,628)
Total comprehensive income/(loss)	-	-	-	(14,034)	-	(14,628)	(28,662)
Employee share options	-	-	70	-	-	-	70
At June 30, 2013 - (Unaudited)	**56,333**	**288,858**	**65,786**	**(168,960)**	**(37,647)**	**(37,643)**	**166,727**

For the six months ended June 30, 2012 *Amounts in USD 000*	**Attributable to equity holders of the parent** Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At January 1, 2012 - (Audited)	**56,333**	**288,858**	**64,636**	**(108,223)**	**(37,647)**	**(6,792)**	**257,165**
Net income/(loss) for the period	-	-	-	411	-	-	411
Other comprehensive income/(loss)	-	-	-	-	-	3,190	3,190
Total comprehensive income/(loss)	-	-	-	411	-	3,190	3,601
Employee share options	-	-	369	-	-	-	369
At March 31, 2012 - (Unaudited)	**56,333**	**288,858**	**65,005**	**(107,812)**	**(37,647)**	**(3,602)**	**261,135**
Net income/(loss) for the period	-	-	-	(8,684)	-	-	(8,684)
Other comprehensive income/(loss)	-	-	-	-	-	(19,341)	(19,341)
Total comprehensive income/(loss)	-	-	-	(8,684)	-	(19,341)	(28,025)
Employee share options	-	-	364	-	-	-	364
At June 30, 2012 - (Unaudited)	**56,333**	**288,858**	**65,369**	**(116,496)**	**(37,647)**	**(22,943)**	**233,474**

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 June 30, 2013 were authorised for issue by the Board of Directors on August 7, 2013.

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 2012 Annual report. The 2012 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 annual consolidated financial statements for the year ended December 31, 2012, except for the adoption of new standards and interpretations effective as of January 1, 2013.

Several new standards and amendments apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

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 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.
- 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.

Q2 2012	Q1 2013	Q2 2013		YTD 2013	YTD 2012
	(Unaudited)		**OPERATING SEGMENTS - GROUP NET SALES**	*(Unaudited)*	
			Group net sales BOE/day		
3,952	3,955	2,997	Manati - net of our interest	3,473	3,555
			NET SALES		
			Natural gas production (MMBtu)		
2,044,623	2,025,639	1,551,470	Manati - net of our interest	3,577,110	3,676,629
			Price per unit		
			Estimated gas price (USD/MMBtu before royalties and taxes)		
8.22	8.73	8.43	Manati	8.60	8.62

Q2 2012	Q1 2013	Q2 2013		YTD 2013	YTD 2012
(Unaudited)			**OPERATING SEGMENTS - BRAZIL**	*(Unaudited)*	
			in USD 000		
			Manati & Brazil licences		
12,135	12,725	9,484	Sales - gas and condensate	22,209	23,084
8,730	9,976	5,077	EBITDA	15,053	16,360
2,004	2,076	231	Depreciation and amortisation	2,307	3,725
-	150	121	Impairment of E&E assets	271	-
-	187,557	-	Segment assets excluding held for sale	83,539	231,272
-	-	-	Segment assets classified as held for sale	91,865	-
			OPERATING SEGMENTS - WEST AFRICA		
			in USD 000		
			West Africa assets		
(99)	(98)	(69)	EBITDA	(167)	(304)
-	-	(1,667)	Gain / (loss) on disposal of licenses	(1,667)	-
-	149,169	-	Segment assets excluding held for sale	55,533	114,601
-	-	-	Segment assets classified as held for sale	33,115	-
			CORPORATE		
			in USD 000		
(2,104)	(1,921)	(1,649)	EBITDA	(3,570)	(4,255)
31	24	25	Depreciation and amortisation	49	93
-	42,101	-	Segment assets excluding held for sale	60,440	71,685
			CONSOLIDATED		
			in USD 000		
12,135	12,725	9,484	Sales - gas and condensate - total	22,209	23,084
6,527	7,957	3,359	EBITDA	11,316	11,801
2,035	2,100	256	Depreciation and amortisation	2,356	3,818
-	-	(1,667)	Gain / (loss) on disposal of licenses	(1,667)	-
-	150	121	Impairment of E&E assets	271	-
-	378,827	-	Segment assets excluding held for sale	199,512	417,558
-	-	-	Segment assets classified as held for sale	124,980	-

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:

Q2 2012	Q1 2013	Q2 2013		YTD 2013	YTD 2012
USD 000 - (Unaudited)				*USD 000 - (Unaudited)*	
			Income taxes		
919	1,706	223	Current income tax	1,929	1,838
2,172	608	(867)	Deferred income tax	(259)	3,806
3,091	2,314	(644)	Total tax (benefit)/charge for the period	1,670	5,644

5. Earnings per share

Q2 2012	Q1 2013	Q2 2013		YTD 2013	YTD 2012
(Unaudited)			*Amounts in USD 000, unless otherwise stated*	*(Unaudited)*	
(8,684)	1,109	(14,034)	Net profit / (loss) attributable to equity holders of the parent	(12,925)	(8,273)
234,546	234,546	234,546	Weighted average number of shares outstanding - in thousands	234,546	234,546
(0.04)	-	(0.06)	Basic and diluted earnings per share (USD)	(0.06)	(0.04)

Diluted earnings per share

The Group had 6,890,000 outstanding share options as of June 30, 2013 (March 31, 2013: 8,413,331 options and December 31, 2012: 9,800,000 options) that are potentially dilutive ordinary shares. As of June 30, 2012, 9,593,333 share options were outstanding.

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

	Licence interest, exploration and evaluation assets	Production assets
	USD 000	*USD 000*
Net book value		
At January 1, 2013 *(Audited)*	182,569	69,417
Additions	15,073	1,030
Disposal	(56,411)	-
Depreciation	-	(2,202)
Foreign currency translation adjustments	(3,524)	(5,379)
Classified as assets held for sale (see note 8)	(36,493)	(62,866)
At June 30, 2013 *(Unaudited)*	101,214	-

7. Cash and bank balances

	June 30, 2013 *(Unaudited)* *USD 000*	December 31, 2012 *(Audited)* *USD 000*
Cash and cash equivalents	31,273	70,623
Restricted cash	9,587	2,880
Cash and bank balances at the end of the period	40,860	73,503

Cash and cash equivalents at period end include USD 11.2 million of placements in high yield bond funds.

In addition to the cash and bank balances of USD 40.9 million, cash and cash equivalents of USD 11.1 million held in Company's subsidiary Rio das Contas have been classified as assets held for sale per requirements of IFRS 5. This cash will form part of the working capital adjustment recoverable to the Company at the closing of transaction.

8. Disposal and non-current assets classified as held for sale

West Africa

MKB permit

On July 2, 2013, the Company's wholly owned subsidiary, Prevail Energy Congo SAU received the net proceeds from the sale of its 20% interest in the MKB permit to Société Nationale des Pétroles du Congo ("SNPC") the Operator of the MKB Permit in the Republic of Congo. The transaction resulted in a net loss of USD 1.7 million which has been recognised in the statement of comprehensive income.

Under the obligations of the Sale Agreement Panoro Energy is restricted from providing further details of the transaction.

OML 113

During the quarter, the Company's fully owned subsidiary Pan-Petroleum Aje Limited entered into an agreement with the Nigerian Company Lekoil 113 Nigeria Limited for the sale of Panoro's 6.5025% participating interest in the OML 113 license offshore Nigeria for a consideration of USD 30 million. Under the terms of the agreement, the working capital adjustment date is January 1, 2013.

Within five business days of entering into the agreement, Lekoil provided the Company a USD 3 million bid bond for the transaction.

Within ninety days of entering into the agreement, Lekoil is required to deposit into an escrow account the cash consideration of USD 30 million plus certain costs incurred from January 1, 2013. Once these funds have been deposited by Lekoil, Pan-Petroleum Aje Ltd will seek government approval for the transaction and other required consents. In the interim period, Panoro will continue to service license and Joint Venture commitments and in parallel, the Buyer will be required to service the escrow account by the same amounts. On completion of the transaction, the consideration and working capital adjustment is to be released to Pan-Petroleum Aje Ltd from the escrow account.

Under the requirements of IFRS 5 "Non-current assets Held for Sale and Discontinued Operations", the asset and certain directly related liabilities have been classified as Held for Sale in the statement of financial position.

Brazil

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

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

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

Under the requirements of IFRS 5 "Non-current assets Held for Sale and Discontinued Operations", the asset and certain directly related liabilities have been classified as Held for Sale in the statement of financial position.

The breakdown of assets classified as held for sale together with the related liabilities are disclosed in the following table:

	Brazil	West Africa	Total
	USD 000 - (Unaudited)		
Assets			
Licenses and exploration assets (BCAM-40 and Aje)	3,378	33,115	36,493
Production assets and equipment (Manati)	62,866	-	62,866
Other non-current assets	2,669	-	2,669
Trade and other receivables	11,821	-	11,821
Cash and cash equivalents	11,131	-	11,131
Total assets classified as held for sale	91,865	33,115	124,980
Liabilities			
Trade and other payables	3,552	298	3,850
Asset retirement obligation	2,102	-	2,102
Deferred tax liability	4,335	4,376	8,711
Total liabilities directly associated with assets classified as held for sale	9,989	4,674	14,663

9. Share capital

The total number of ordinary shares in issue throughout the period ended June 30, 2013 was 234,545,786 with a nominal value of NOK 342,547,498.77.

10. Interest bearing debt

	June 30, 2013		December 31, 2012	
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*
	USD 000	*USD 000*	*USD 000*	*USD 000*
	Current	Non-current	Current	Non-current
NOK denominated loan	30,032	-	4,062	28,709
USD denominated loan	93,795	-	11,434	82,092
Effects of remeasurement of bond liability	11,967	-	-	-
Total	135,794	-	15,496	110,801

The amount above includes accrued interest to June 30, 2013 of USD 2.0 million (December 31, 2012: USD 1.9 million) and is net of unamortized bond issue costs of USD 2.9 million (December 31, 2012: USD 3.2 million).

The Company has entered into a sale agreement with GeoPark Holdings to sell its entire share capital in its fully owned subsidiary Rio das Contas (RdC) which also holds Manati field. The shares in RdC and Manati are pledged as security under the bond agreement which requires mandatory redemption of the loan on completion of sale transaction. Panoro management believes that the completion of the sale transaction is expected within one year of the balance sheet date and as such the entire bond loan has been reclassified as a current liability. Under the terms of the bond agreement, mandatory redemption will be at premium of 8% should the transaction complete before November 15, 2013. Thereafter a premium of 6% will be payable. Considering the expected changes in cash flow profile of the bond loan, under the requirements of IAS 39 AG8, the bond liability has been remeasured using expected cash flows assuming a mandatory redemption prior to November 15, 2013 discounted to the reporting date using the original effective interest rate. The difference of USD 11,967 thousand between the remeasured liability and the original carrying value has been expensed in the statement of comprehensive income with a corresponding adjustment to the carrying value in the statement of financial position.

As per the bond agreement, the next interest payment of USD 5.7 million and NOK 12.5 million is due in November 2013 together with the next principal amount of USD 10.5 million and NOK 20.5 million.

The bonds are listed on Oslo ABM under quotes PEN 01 PRO and PEN 02 PRO.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2013 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.

Endre Ording Sund
Chairman

Dr. George Edward Watkins
Board member

Tone Kristin Omsted
Board member

Silje Christine Augustson
Board member

Jan Kielland
Chief Executive Officer

Other information

Financial calendar

November 7, 2013	Third Quarter 2013 Results

Glossary and definitions

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
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
MMBOE	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm^3	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

Contact information

For further information, please contact:

Anders Kapstad, CFO and Coutry Manager Brazil
Panoro Energy ASA / Panoro Energy do Brasil Ltda
anders.kapstad@panoroenergy.com
Mobile: +47 918 17 442 / +55 21 84932356

Carl Peter Berg, VP Commercial & Investor Relations
Panoro Energy ASA / Panoro Energy do Brasil Ltda
carl.peter.berg@panoroenergy.com
Mobile: +47 928 05 029 / +55 21 85411907

Panoro Energy ASA
P.O. Box 1885 Vika, 0124 Oslo
Visiting address: Dr. Maudsgt. 1-3
0250 Oslo, Norway
Phone: +47 23 01 10 00
www.panoroenergy.com

Panoro Energy Limited
43-45 Portman Square
London W1H 6LY
United Kingdom

Panoro Energy do Brasil Ltda
Praia de Botafogo, 228, Sala 801
Botafogo – Rio de Janeiro
Brazil 22250-040

2131087 • www.boltcommunication.no