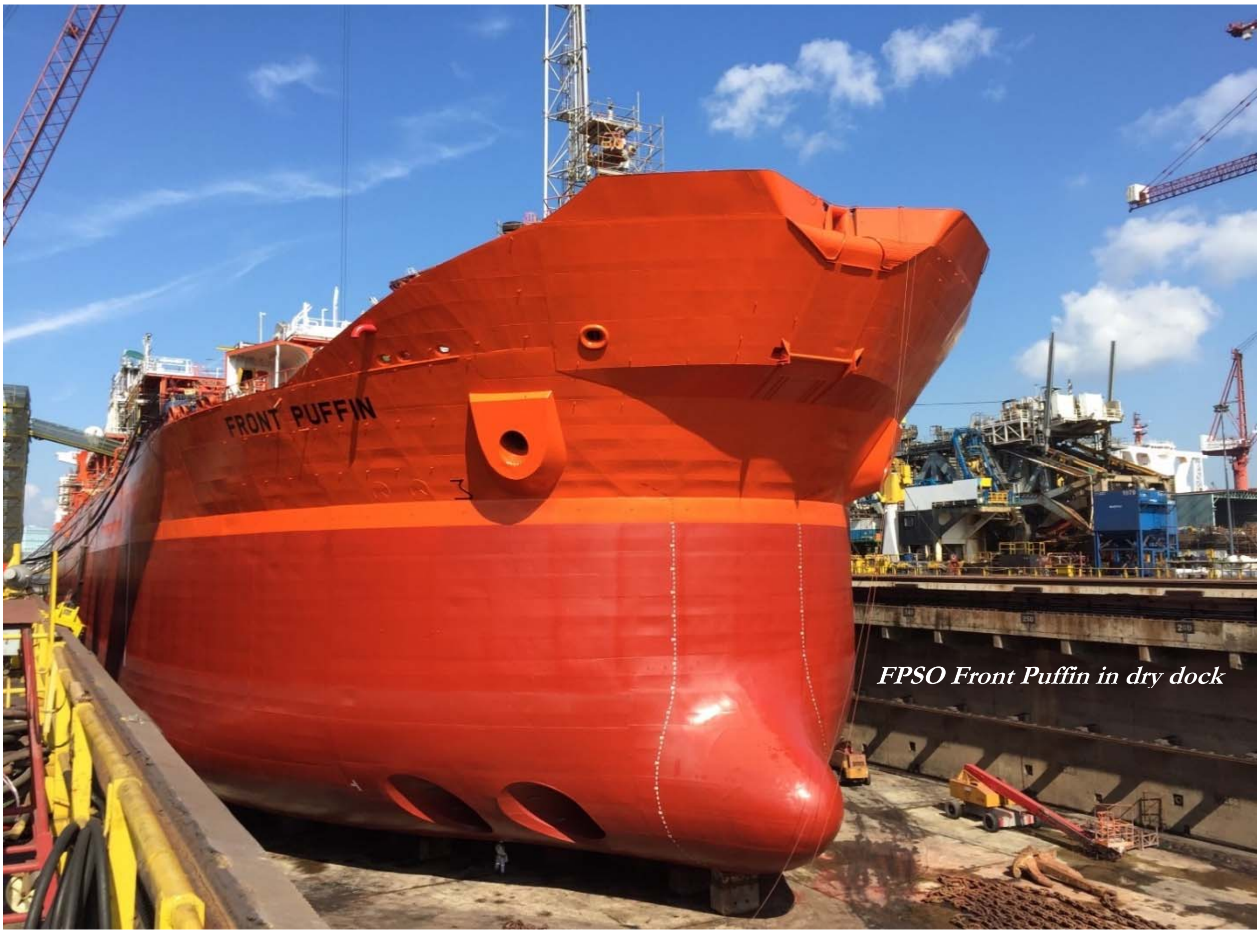
Panoro Energy

Half year and second quarter report 2015

August 19, 2015



FPSO Front Puffin in dry dock

Contents

Highlights and events

Second quarter 2015 highlights and subsequent events

- Cash balance of USD 33.3 million as at June 30, 2015 and no debt in comparison to the cash balance of USD 36.1 million at March 31, 2015
- Operations at the Aje development in Nigeria remain on schedule with production drilling underway in Q3-2015 and first oil production targeted for the end of 2015
- Interpretation of new 3D PSDM seismic on OML 113 in Nigeria underway
- Finalizing review of the 3D PSDM seismic on the Dussafu Block in Gabon
- Board and management team strengthened with seasoned oil and gas professionals
- Net loss from continuing operations for the three months ended June 30, 2015, of USD 34.1 million compared to USD 1.9 million in Q1-2015
- Non-cash impairment of USD 32.4 million on the Dussafu asset
- Continuing efforts to reduce G&A expenses

Operational update

GABON

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

Evaluation of the Dussafu Ruche development continued during the quarter with further review of the FEED plans and costs, and integration of the results of the new 3D survey which covers some of the Ruche discoveries. At current oil prices the development project is challenging and the development plan requires adjustment and as a result, the Joint Venture partners continue to optimise development options.

We are continuing to see costs for services and equipment fall in response to the lower oil price environment and so are revising our cost estimates to reflect this new environment. Those initiatives have given rise to several development variations, which we believe could result in an economically robust development program even at prevailing oil prices. Interpretation of the new 3D seismic data continues to show encouraging results and we are excited about the numerous near field prospects, which if confirmed through drilling could improve project economics significantly.

We have taken advantage of an available vessel in the area to undertake a geophysical site survey for possible well locations during Q3 2015. This will allow us to respond to value creation opportunities should the macro environment improve as this site survey is required to evaluate the required rig and drilling programme well ahead of any possible drilling.

In the second quarter of 2015, the Company recorded a provision for non-cash impairment of USD 32.4 million to its investment in the Dussafu asset in Gabon thereby reducing the carrying value from USD 62.6 million to USD 30.2 million. The impairment is the result of the effect of the recent decline in forward oil prices which brings the carrying value to be in line with that of the Operator, and is considered a prudent and conservative accounting adjustment to our book costs. There is no underlying change in the technical view of the asset and any impairment charge may be reversed on improvement of macro-economic conditions.

NIGERIA

OML 113 Aje field: YFP (Operator), Panoro Energy (6.5% participating interest, 16.255% paying interest and 12.19% entitlement to revenue stream)

The Aje Cenomanian oil development project has progressed to plan and budget during the quarter. After the end of the quarter, the Saipem Scarabeo 3 semi-submersible rig was mobilised to the Aje location and is currently being used to carry out well operations for the first phase of the Aje Cenomanian Oil field development.

Aje-5 is the first of two subsea production wells that constitute the first phase of the development plan. This well is currently being drilled as a deviated well to the Aje-2 subsurface location where the Aje-2 well demonstrated high reservoir productivity in a Cenomanian production test conducted in 1997, flowing approximately 3,700 bopd of 41°API oil under suboptimal well conditions. To date, drilling performance on the Aje-5 well has been good and the well will be completed as a Cenomanian production well over the next few weeks. After this operation, the rig will be used to re-enter and complete the existing Aje-4 well as a second Cenomanian production well.

Installation of the subsea equipment and the Front Puffin FPSO, which is currently being refurbished in Singapore, will follow in Q4 2015 and production is expected to commence around the end of 2015 at around 1,100 bopd net to Panoro.

Interpretation of the newly acquired 3D seismic data is underway. The data will be used to help plan the phase 2 development of the Aje field which may consist of 2 further development wells, Aje-6 and Aje-7. In addition, the Panoro and the Joint Venture partners are currently reviewing the 3D data to fully evaluate the exploration potential in the license. Early interpretation has already identified a number of interesting prospects in the Turonian, Cenomanian, Albian and Synrift formations which will require further work to be matured into drillable prospects.

CORPORATE

As announced in the First Quarter 2015 Report, the Board appointed John Hamilton as Chief Executive Officer. Mr. Hamilton is a seasoned executive and has held several senior positions at leading publicly listed oil and gas companies. In tandem with Mr. Hamilton’s appointment, Nishant Dighe continues as President and Chief Operating Officer, providing the Company with a strengthened team as it enters an important phase of its development.

Furthermore, due to potential conflicts of interest, Lars Brandeggen decided to step down as a member of the board of directors at the Annual General Meeting held on May 27, 2015. Also in the AGM, Garrett Soden and Torstein Sanness were appointed to the Board. Mr. Soden has experience across the natural resources sector in government, investment banking and public company management. Mr. Sanness has extensive experience and technical expertise in the oil and gas industry and is a well-recognized figure involved in major discoveries in the Norwegian continental shelf and globally.

Subsequent to the period end, Ms. Silje Augustson resigned from the Board of Directors citing increased demands from her other engagements.

The Board thanks Ms. Augustson and Mr. Brandeggen for their respective valuable contribution during their tenure.

The Company has undertaken initiatives to reduce its general and administrative cost base. During the first half of 2015, management reduced the Brazil operations to a statutory minimum and closed down its physical premises in Oslo. Although, the full savings from cost saving initiatives have not been realized in the second quarter, the G&A from continuing operations and loss from discontinued operations combined has dropped to USD 1.4 million in the current quarter, a reduction of approximately 11% compared to previous quarter. Although some variability is anticipated quarter on quarter, the cost base on average is expected to trend downwards. As part of the cost base review, staffing levels were also reviewed and reduced to six permanent staff members from seven at the end of December 2014. All remaining staff members are now based in London, working from a central location.

After the closure of the Company's office premises in Oslo, the registered address of the Company has been changed to: c/o Arntzen de Besche, Bygdøy, Allé 2, 0124 Oslo, Norway.

Financial information

Income statement review

Second quarter 2015 versus first quarter 2015

From a financial statements perspective, the closure of operations in Brazil is disclosed as "discontinued operations" and as such has been reported separately from the "continuing business activities". In order to present the discontinued operations separately, an allocation of income and costs arising from Brazilian operations has been made in the prior periods and presentation has been reclassified to reflect these adjustments. On an overall basis, there is no restatement of results in the prior periods presented and only a split of continuing and discontinued operations has been made in these interim financial statements.

The analysis of results as presented below is based on reclassified income statement balances after segregating discontinued operations.

Panoro Energy reported a net loss of USD 34.1 million from continuing operations for the second quarter 2015, an increase of USD 32.3 million, compared to a loss of USD 1.9 million in the first quarter. The loss included provision for impairment of USD 32.4 million in relation to Dussafu.

Subsequent to the completion of the sale of Rio das Contas in the first quarter of 2014, no revenue and production costs are presented in the Group statement of comprehensive income in the respective lines as all its results have been included as part of the discontinued operations which have been detailed in note 4 to the interim financial statements.

Exploration related costs and operator G&A decreased from USD 0.6 million in Q1 2015 to USD 0.3 million in 2Q 2015. This is a result of a review of the cost base in the respective asset Joint Ventures and re-phasing of work programmes on the licenses.

Severance and restructuring costs incurred in the quarter was USD 38 thousand compared to nil in Q1 2015. This is due to headcount reduction of one staff member of the Company.

General and Administration costs from continuing activities remained consistent and amounted to USD 1.3 million in both Q2 2015 and Q1 2015.

Depreciation for the current quarter was USD 14 thousand which remained consistent with Q1 2015.

In the second quarter of 2015, the Company recorded a non-cash provision for impairment of USD 32.4 million to its investment in the Dussafu asset in Gabon thereby reducing the carrying value from USD 62.6 million to USD 30.2 million. The impairment is the result of the effect of the recent decline in forward oil prices which brings the carrying value in line with that of the Operator, and is considered a prudent and conservative accounting adjustment to our book costs. There is no underlying change in the technical view of the asset and any impairment charge may be reversed on improvement of macro-economic conditions. Other impairment charges for both quarters have been reallocated to the Discontinued Operations and relate solely to Brazilian assets.

EBIT from continuing operations was thus a negative USD 34.1 million in the second quarter 2015, compared to a negative USD 1.9 million in the first quarter.

Net financial items amounted to a net expense of USD 12 thousand in the second quarter 2015 compared to an income of USD 44 thousand in the first quarter. The decline in net interest income is a result of lower average cash balances in the current quarter and effects of foreign exchange.

Loss before tax from continuing activities was USD 34.1 million in the second quarter 2015 which was higher by USD 32.3 million compared to previous quarter loss of USD 1.9 million. This increase is predominantly due to the effect of the Dussafu impairment charge.

Net loss for the period from discontinued operations was USD 88 thousand for the current quarter compared to a loss of USD 0.3 million for the first quarter. The reduction is a result of efficiencies arising from cost reduction initiatives taken by management.

The total net loss was USD 34.2 million, compared to a net loss of USD 2.2 million in the first quarter.

Other comprehensive income of USD 19 thousand was a result of translating Brazilian subsidiary for reporting purposes. For Q1 2015, the other comprehensive income was USD 29 thousand.

Year to date 2015 versus Year to date 2014

The analysis of results as presented below is based on reclassified income statement balances after segregating discontinued operations.

Panoro Energy reported a net loss of USD 36 million from continuing operations for the first half 2015, compared to a loss of USD 7.8 million in the same period in 2014.

Following the completion of the sale of Rio das Contas in the first quarter of 2014, no revenue and production costs are presented in the Group statement of comprehensive income as all its results have been included as part of the discontinued operations as detailed in note 4 to the interim financial statements.

Exploration related costs and operator G&A increased from USD 0.6 million in 1H 2014 to USD 1.0 million in 1H 2015. This is consistent with the operator general and administrative costs on the JVs and in line with the budgeted expenditure in the respective periods, which do not meet internal capitalisation criteria.

Strategic review costs were USD nil for the current period in comparison to USD 0.1 million in the same period in 2014. These costs have discontinued following the decision to terminate the strategic review process in November 2014. The costs in the comparative period mostly related to legal charges.

Severance and restructuring costs incurred in the first half 2015 was 38 thousand compared to USD 368 thousand in first half 2014. The higher cost in 2014 is due to severance costs incurred in Brazil in terms of a phased closure of operations. The overall costs of severance in the comparative period has been allocated between both continuing and discontinued activities in order to align some of core head office functions which were historically undertaken from the Brazil office.

General and Administration costs from continuing operations decreased to USD 2.6 million in first half 2015 compared to USD 2.8 million in the comparative period in 2014. The reduction is a result of saving initiatives.

Depreciation declined from USD 40 thousand in the first half 2014 to USD 28 thousand for the six months to June 2015.

In the first half of 2015, the Company recorded a non-cash provision for impairment of USD 32.4 million to its investment in the Dussafu asset in Gabon thereby reducing the carrying value from USD 62.6 million to USD 30.2 million. The impairment is the result of the effect of the recent decline in forward oil prices which brings the carrying value in line with that of the Operator, and is considered a prudent and conservative accounting adjustment to our book costs. There is no underlying change in the technical view of the asset and any impairment charge may be reversed on improvement of macro-economic conditions. Other impairment charges for both periods have been reallocated to the Discontinued Operations and related solely to Brazilian assets.

Share based payments charge for first half 2015 was nil compared to USD 75 thousand charge for the same period in 2014. The options were fully vested during the year ended December 31, 2014 and hence no charge in the current period. No share options have been awarded to the employees since year 2012.

EBIT from continuing operations was thus a negative USD 36.1 million in the first half 2015, compared to a negative USD 3.9 million in the six months to June 30, 2014.

Net financial items amounted to an income of USD 32 thousand in the first half 2015 compared to negative USD 3.9 million in the same period in 2014. The first half 2014 charge relates to interest and early redemption charges on repayment of senior secured callable bond.

Loss before tax from continuing activities was USD 36 million in the first half 2015 which was higher by USD 28.3 million compared to 1H 2014 loss of USD 7.8 million. The increase in loss is predominantly due to the Dussafu impairment charge.

Net loss for the period from discontinued operations was USD 0.3 million for the current period ended June 30, 2015 compared to net gain of USD 39.7 million for the first half of 2014. The 2014 results from discontinued operations include income from the sale of a subsidiary (Rio das Contas) offset by realisation of loss on re-translation of currency differences and consolidated results from Manati field.

The total net loss in the current period was USD 36.4 million, compared to a net gain of USD 31.9 million in the first half 2014.

Other comprehensive income of a positive USD 48 thousand was a result of translating Brazilian subsidiaries for reporting purposes. For 1H 2014, the other comprehensive income was positive USD 3.5 million and included recycling of accumulated currency translation on sale of subsidiary. The presentation of recycling of currency translation has been reclassified to align with the presentation in 2014 annual audited financial statements.

Statement of financial position review

<u>Movements to June 30, 2015 from March 31, 2015</u>

Movements in the Group statement of financial position during the second quarter of 2015 were a combination of the following:

<u>Non-current assets</u>

Non-current assets amounted to USD 84.3 million at June 30, 2015, a decrease of USD 27.3 million from March 31, 2015.

Licences and exploration assets amounted to USD 30.2 million compared to USD 62.6 million as at March 31, 2015. In the second quarter of 2015, the Company recorded a provision for non-cash impairment of USD 32.4 million to its investment in the Dussafu asset in Gabon. The impairment is the result of the effect of the recent decline in forward oil prices which brings the carrying value in line with that of the Operator, and is considered a prudent and conservative accounting adjustment to our book costs. There is no underlying change in the technical view of the asset and any impairment charge may be reversed on improvement of macro-economic conditions. The development assets balance amounted to USD 53.0 million as of June 30, 2015 with investments of USD 4.8 million in the current quarter.

Property, furniture, fixtures and equipment was USD 160 thousand increasing from USD 81 thousand at March 31, 2015. The increase represents essential office premises and information technology upgrades.

Other non-current assets as of June 30, 2015 were USD 1.0 million increasing from USD 0.8 million at the end of the previous quarter. The amount relates to USD 0.8 million of guarantee deposit in support of a guarantee to FPSO provider Rubicon which is providing the vessel for Aje Cenomanian oil development and USD 0.2 million in relation to tenancy deposit for office premises.

<u>Current assets</u>

Current assets amounted to USD 34.4 million per June 30, 2015, compared to USD 39.5 million per March 31, 2015.

Trade and other receivables stood at USD 1.1 million, a decrease from USD 3.4 million at the end of March 2015. The main decline in receivable is the utilisation of the balance of Aje development cash calls prepaid during the previous quarter period to progress development activities. Cash and bank balances stood at USD 33.3 million per June 30, 2015, a decrease from USD 36.1 million per March 31, 2015.

<u>Equity</u>

Equity amounted to USD 111.7 million per June 30, 2015, compared to USD 145.9 million at the end of March 2015. The change reflects the loss for the period including the effect of the Dussafu impairment charge.

<u>Non-current liabilities</u>

Total non-current liabilities amounted to USD 4.4 million per June 30, 2015, unchanged from March 31, 2015 which represents a deferred tax liability arising on a business combination in 2010. The liability is expected to unwind proportionally after commencement of production from the Aje field.

<u>Current liabilities</u>

Current liabilities amounted to USD 2.6 million at June 30, 2015, compared to USD 0.8 million at the end of March 2015.

Accounts payable, accruals and other liabilities amounted to USD 2.6 million, an increase from USD 0.8 million at the end of March 2015. The increase during the quarter is mainly a result of JV related payables as the cash calls due at period end were paid after the end of the quarter. As of March 31, 2015, the JV related balances were in a receivable position.

<u>Movements to June 30, 2015 from December 31, 2014</u>

Movements in the Group statement of financial position during the first half of 2015 were a combination of the following:

<u>Non-current assets</u>

Non-current assets amounted to USD 84.3 million at June 30, 2015, a decrease of USD 22.4 million from December 31, 2014.

Licences and exploration assets amounted to USD 30.2 million, a decrease of USD 31.3 million since December 2014. The effect of the Dussafu impairment charge in the period of USD 32.4 million has been marginally offset by capital additions on Dussafu permit progressing 2015 work programme with expenditure covering FEED, G&G and Engineering Management and the annual Surface Rental for the EEA area. The development assets balance amounted to USD 53.0 million as of June 30, 2015 with investments of USD 7.8 million in the first half of 2015.

Property, furniture, fixtures and equipment was USD 160 thousand increasing from USD 94 thousand at December 31, 2014. The increase represents essential office premises and information technology upgrades.

Other non-current assets as of June 30, 2015 were USD 1.0 million of which USD 0.8 million related to guarantee deposit in support of a guarantee to FPSO provider Rubicon which is providing the vessel for Aje Cenomanian oil development and USD 0.2 million in relation to tenancy deposit for office premises.

Current assets

Current assets amounted to USD 34.4 million per June 30, 2015, compared to USD 47.2 million per December 31, 2014.

Trade and other receivables stood at USD 1.1 million, a decrease from USD 6.3 million at the end of 2014. The main decline in receivable is the utilisation of the balance of Aje cash calls prepaid during the period to progress development activities. Cash and bank balances stood at USD 33.3 million per June 30, 2015, a decrease from USD 40.9 million per December 31, 2014.

Equity

Equity amounted to USD 111.7 million per June 30, 2015, compared to USD 148.1 million at the end of December 2014. The change reflects the loss for the period including the effect of the Dussafu impairment charge.

Non-current liabilities

Total non-current liabilities amounted to USD 4.4 million per June 30, 2015, unchanged from December 31, 2014 which represents a deferred tax liability arising on a business combination in 2010. The liability is expected to unwind proportionally after commencement of production from Aje field.

Current liabilities

Current liabilities amounted to USD 2.6 million at June 30, 2015, compared to USD 1.5 million at the end of December 2014.

Accounts payable, accruals and other liabilities amounted to USD 2.6 million, an increase from USD 1.5 million at the end of December 2014. The increase compared to December 2014 is mainly due to JV related payables accruing at June 30 2015.

Funding

Although, the Company has USD 33.3 million in cash and bank balances as of June 30, 2015, as of the same date, approximately USD 26 million of this cash is earmarked for the development of the Aje Cenomanian Oil field, expected to start production around the end of 2015. As is inherent in every oil field development, project delays, partner funding issues and cost overruns could potentially increase the investment required. It is possible that the cost of investment for Panoro may increase should any Joint Venture partner be unable to fulfil its financial obligations under the Joint Operating Agreements. The Company may need to further improve its financial base to cover these costs and to have a fully funded business plan for the next 12 months. Such improvements might come from portfolio optimization, including dilution of interest in its projects in exchange for project funding, assets sales, farm downs and/or a potential strengthening of the balance sheet through conventional financial sources. In an event additional funding is necessary and cannot be secured under the best terms and in the best interest of shareholders, the Company has the option to withdraw from its projects thereby reducing the spending commitment on development activities, however, management and the Board continue to take active measures to ensure financial flexibility to allow the Company to respond to situations as they unfold.

Risks & uncertainties

Investment in Panoro Energy ASA

Investment in Panoro Energy involves risks and uncertainties as described in Company's Annual Report for 2014.

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

The company is exposed to various forms of financial risks, including, but not limited to, fluctuation in oil prices, exchange rates, interest rates and capital requirements; these are described in the company's 2014 annual report and accounts, and in note 2.1 to the half year financial statements. The company is also exposed to uncertainties relating to the international capital markets and access to capital and this may influence the speed with which development projects can be accomplished.

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.

Outlook

- Continued development activity on the Aje Cenomanian oil field targeting first oil by the year end 2015
- Refinement and development of Dussafu prospect inventory based on 3D seismic data
- Continue interpretation of the processed 3D seismic on OML 113
- Actively review opportunities for growth in the current market environment
- Deliver shareholder value from our current portfolio

The Board of Directors

Panoro Energy ASA

August 19, 2015

Julien Balkany
Chairman

Garrett Soden
Board member

Torstein Sanness
Board member

Alexandra Herger
Board member

Condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED JUNE 30, 2015

Q2 2014	Q1 2015	Q2 2015	*Amounts in USD 000*	Note	YTD 2015	YTD 2014
(Unaudited)					*(Unaudited)*	
Continuing Operations						
-	-	-	Oil and Gas revenue		-	-
-	**-**	**-**	**Total revenues**		**-**	**-**
(168)	(619)	(342)	Exploration related costs and Operator G&A		(961)	(605)
(74)	-	-	Strategic review costs		-	(97)
(350)	-	(38)	Severance and restructuring costs		(38)	(368)
(1,549)	(1,306)	(1,297)	General and administrative costs		(2,603)	(2,751)
(19)	(14)	(14)	Depreciation		(28)	(40)
-	-	(32,445)	Impairment of Assets	6.1	(32,445)	-
(38)	-	-	Share based payments		-	(75)
(2,198)	**(1,939)**	**(34,136)**	**EBIT - Operating income/(loss)**		**(36,075)**	**(3,936)**
188	56	6	Interest costs net of income		62	(12,562)
(21)	(3)	(3)	Other financial costs net of income		(6)	(75)
-	-	-	Effects of re-measurement of bond liability		-	8,694
14	(9)	(15)	Net foreign exchange gain/(loss)		(24)	89
(2,017)	**(1,895)**	**(34,148)**	**Income/(loss) before tax**		**(36,043)**	**(7,790)**
-	-	-	Income tax benefit/(expense)		-	-
(2,017)	**(1,895)**	**(34,148)**	**Net income/(loss) for the period from continuing operations**		**(36,043)**	**(7,790)**
Discontinued operations						
(1,381)	(258)	(88)	Net income / (loss) for the period from discontinued operations	4	(346)	39,658
(3,398)	**(2,153)**	**(34,236)**	**Net income / (loss) for the period**		**(36,389)**	**31,868**
134	29	19	Exchange differences arising from translation of foreign operations		48	3,503
134	**29**	**19**	**Other comprehensive income/(loss) for the period (net of tax)**		**48**	**3,503**
(3,264)	**(2,124)**	**(34,217)**	**Total comprehensive income/(loss) for the period**		**(36,341)**	**35,371**
			Net income /(loss) for the period attributable to:			
(3,398)	(2,153)	(34,236)	Equity holders of the parent		(36,389)	31,868
			Total comprehensive income/(loss) for the period attributable to:			
(3,264)	(2,124)	(34,217)	Equity holders of the parent		(36,341)	35,371
			Earnings per share (Note 5)			
(0.01)	(0.01)	(0.15)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Total		(0.16)	0.14
(0.01)	(0.01)	(0.15)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent - Continuing operations		(0.15)	(0.03)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2015

Amounts in USD 000	Note	June 30, 2015	March 31, 2015	December 31, 2014
		(Unaudited)	*(Unaudited)*	*(Audited)*
Non-current assets				
Licenses and exploration assets	6/6.1	30,179	62,550	61,480
Development assets	6	52,996	48,161	45,169
Property, furniture, fixtures and office equipment		160	81	94
Other non-current assets		962	813	0
Total Non-current assets		**84,297**	**111,605**	**106,743**
Current assets				
Trade and other receivables		1,060	3,432	6,279
Cash and cash equivalents		33,325	36,092	40,941
Total current assets		**34,385**	**39,524**	**47,220**
Total Assets		**118,682**	**151,129**	**153,963**
Equity				
Share capital	7	56,333	56,333	56,333
Other equity		55,383	89,600	91,724
Total Equity attributable to equity holders of the parent		**111,716**	**145,933**	**148,057**
Non-current liabilities				
Deferred tax liabilities		4,376	4,376	4,376
Total Non-current liabilities		**4,376**	**4,376**	**4,376**
Current liabilities				
Accounts payable, accruals and other liabilities		2,590	820	1,530
Total current liabilities		**2,590**	**820**	**1,530**
Total Liabilities		**6,966**	**5,196**	**5,906**
Total Equity and Liabilities		**118,682**	**151,129**	**153,963**

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED JUNE 30, 2015

Q2 2014	Q1 2015	Q2 2015	*Amounts in USD 000 - (Unaudited)*	YTD 2015	YTD 2014
			Cash flows from operating activities		
(2,017)	(1,895)	(34,148)	Net (loss)/ income from continuing operations	(36,043)	(7,790)
(1,381)	(258)	(88)	Net (loss)/ income from discontinued operations	(346)	51,444
(3,398)	(2,153)	(34,236)	**Net (loss)/ income for the period before tax**	(36,389)	43,654
			Adjusted for:		
19	14	14	Depreciation	28	42
-	-	-	Effect of remeasurement of bond liability	-	(8,694)
201	90	32,509	Impairment and asset write-off	32,599	374
-	619	342	Exploration related costs and operator G&A	961	-
88	-	-	(Gain)/loss on disposal of assets	-	(53,671)
(188)	(69)	(12)	Net finance costs	(81)	12,496
37	-	-	Share-based payments	-	46
(981)	3	18	Foreign exchange gains/losses	21	(664)
1,947	(710)	145	Increase/(decrease) in trade and other payables	(565)	3,882
(119)	72	(172)	(Increase)/decrease in trade and other receivables	(100)	(3,294)
-	-	-	Taxes paid	-	-
(2,394)	**(2,134)**	**(1,392)**	**Net cash flows from operating activities**	**(3,526)**	**(5,829)**
			Cash flows from investing activities		
(723)	(1,947)	(1,241)	Investment in exploration, production and other assets	(3,188)	(3,257)
-	(813)	(149)	Movement in related non-current assets	(962)	-
-	-	-	Proceeds from the disposal of subsidiary (net of costs)	-	139,100
(723)	**(2,760)**	**(1,390)**	**Net cash flows from investing activities**	**(4,150)**	**135,843**
			Cash flows from financing activities		
(762)	69	12	Net financial charges paid	81	(840)
(123,394)	-	-	Repayment of Bond	-	(123,394)
177,423	-	-	Movement in restricted cash balance	-	-
53,267	**69**	**12**	**Net cash flows from financing activities**	**81**	**(124,234)**
229	(24)	3	Effect of foreign currency translation adjustment on cash balances	(21)	149
50,379	(4,849)	(2,767)	Change in cash and cash equivalents during the period	(7,616)	5,929
9,702	40,941	36,092	Cash and cash equivalents at the beginning of the period	40,941	54,152
60,081	**36,092**	**33,325**	**Cash and cash equivalents at the end of the period**	**33,325**	**60,081**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
For the six months ended June 30, 2015 *Amounts in USD 000*	**Issued capital**	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Currency translation reserve**	**Total**
At January 1, 2015 - (Audited)	**56,333**	**288,858**	**65,914**	**(219,672)**	**(37,647)**	**(5,729)**	**148,057**
Net income/(loss) for the period - Continuing Operations	-	-	-	(1,895)	-	-	(1,895)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(258)	-	-	(258)
Other comprehensive income/(loss)	-	-	-	-	-	30	30
Total comprehensive income/(loss)	-	-	-	(2,153)	-	30	(2,123)
At March 31, 2015 - (Unaudited)	**56,333**	**288,858**	**65,914**	**(221,825)**	**(37,647)**	**(5,699)**	**145,933**
Net income/(loss) for the period - Continuing Operations	-	-	-	(34,148)	-	-	(34,148)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(88)	-	-	(88)
Other comprehensive income/(loss)	-	-	-	-	-	19	19
Total comprehensive income/(loss)	-	-	-	(34,236)	-	19	(34,217)
At June 30, 2015 - (Unaudited)	**56,333**	**288,858**	**65,914**	**(256,061)**	**(37,647)**	**(5,680)**	**111,716**

	Attributable to equity holders of the parent						
For the six months ended June 30, 2014 *Amounts in USD 000*	**Issued capital**	**Share premium**	**Additional paid-in capital**	**Retained earnings**	**Other reserves**	**Currency translation reserve**	**Total**
At January 1, 2014 - (Audited)	**56,333**	**288,858**	**66,021**	**(210,787)**	**(37,647)**	**(44,331)**	**118,447**
Net income/(loss) for the period - Continuing Operations	-	-	-	(5,773)	-	-	(5,773)
Net income/(loss) for the period - Discontinued Operations	-	-	-	41,039	-	-	41,039
Other comprehensive income/(loss)	-	-	-	-	-	3,369	3,369
Total comprehensive income/(loss)	-	-	-	35,266	-	3,369	38,635
Translation adjustment realised on sale of Rio das Contas	-	-	-	(35,195)	-	35,195	-
Employee share options	-	-	9	-	-	-	9
At March 31, 2014 - (Unaudited)	**56,333**	**288,858**	**66,030**	**(210,716)**	**(37,647)**	**(5,767)**	**157,091**
Net income/(loss) for the period - Continuing Operations	-	-	-	(2,017)	-	-	(2,017)
Net income/(loss) for the period - Discontinued Operations	-	-	-	(1,381)	-	-	(1,381)
Other comprehensive income/(loss)	-	-	-	-	-	134	134
Total comprehensive income/(loss)	-	-	-	(3,398)	-	134	(3,264)
Employee share options	-	-	(55)	-	-	-	(55)
At June 30, 2014 - (Unaudited)	**56,333**	**288,858**	**65,975**	**(214,114)**	**(37,647)**	**(5,633)**	**153,772**

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 address is Bygdøy, Allé 2, 0124 Oslo, Norway which changed in June 2015.

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in West Africa. The condensed consolidated financial statements of the Group for the period ended June 30, 2015 were authorised for issue by the Board of Directors on August 19, 2015.

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 2014 Annual report. The 2014 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 and assumptions

The accounting policies adopted in preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's 2014 Annual report.

These interim financial statements are based on the going concern assumption. However, there are uncertainties related to this assessment. Although, the Company has USD 33.3 million in cash and bank balances as of June 30, 2015, as of the same date, approximately USD 26 million of this cash is earmarked for the development of the Aje Cenomanian Oil field, expected to start production around the end of 2015. As is inherent in every oil field development, project delays, partner funding issues and cost overruns could potentially increase the investment required. It is possible that the cost of investment for Panoro may increase should any Joint Venture partner be unable to fulfil its financial obligations under the Joint Operating Agreements. The Company may need to further improve its financial base to cover these costs and to have a fully funded business plan for the next 12 months. Such improvements might come from portfolio optimization, including dilution of interest in its projects in exchange for project funding, assets sales, farm downs and/or a potential strengthening of the balance sheet through conventional financial sources. In an event additional funding is necessary and cannot be secured under the best terms and in the best interest of shareholders, the Company has the option to withdraw from its projects thereby reducing the spending commitment on development activities, however, management and the Board continue to take active measures to ensure financial flexibility to allow the Company to respond to situations as they unfold.

3. Segment information

From 1Q 2014, the Group operated predominantly in one business segment being the exploration of oil and gas in West Africa. After the divestment of Company's interest in Manati field at the end of March 2014, the Group is only left with West African operating business. As such, the information for June 30, 2015 does not include Brazilian operations. However, for the purpose of comparative information, the Brazilian segment has been included.

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 (16.255% paying interest and 12.1913% revenue interest) in the OML113-Aje exploration licence in Nigeria.
- The 'Corporate and others' category consists of head office and service company operations that are not directly attributable to the other segment. Further, it also includes the residual corporate business in Brazil which is expected to be dormant in the foreseeable future.

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

Q2 2014	Q1 2015	Q2 2015		YTD 2015	YTD 2014
	(Unaudited)		**OPERATING SEGMENT - WEST AFRICA**	*(Unaudited)*	
			in USD 000		
(525)	(643)	(32,754)	Income / (Loss) for the period from continuing operations	(33,397)	(985)
-	-	32,445	Impairment of E&E Assets	32,445	-
-	114,425	-	Segment assets	84,549	100,325
			CORPORATE		
			in USD 000		
(1,492)	(1,252)	(1,394)	Income / (Loss) for the period from continuing operations	(2,300)	(6,805)
14	14	14	Depreciation and amortisation	28	49
-	35,937	-	Segment assets	33,362	56,192
			DISCONTINUED OPERATIONS		
			in USD 000		
(1,381)	(258)	(88)	Income / (Loss) for the period from discontinued operations	(346)	39,658
-	767	-	Segment assets	771	5,029
			CONSOLIDATED		
			in USD 000		
(2,017)	(1,895)	(34,148)	Income / (Loss) for the period from continuing operations	(36,043)	(7,790)
(1,381)	(258)	(88)	Income / (loss) for the period from discontinued operations	(346)	39,658
14	14	14	Depreciation and amortisation	28	49
-	-	32,445	Impairment of E&E Assets	32,445	-
-	151,129	-	Segment assets excluding held for sale	118,682	161,546

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. Discontinued operations

The Company's subsidiaries in Brazil have been classified as discontinued operations under IFRS 5. The results of Brazilian segment for the comparative quarters have therefore been carved out of the operating results and presented below as discontinued operations:

Q2 2014	Q1 2015	Q2 2015		YTD 2015	YTD 2014
USD 000 - (Unaudited)				*USD 000 - (Unaudited)*	
-	-	-	Oil and gas revenue	-	10,393
-	**-**	**-**	**Total revenues and other income**	**-**	**10,393**
-	-	-	Production costs	-	(1,398)
(242)	-	-	Redundancies and restructuring costs	-	(242)
(602)	(190)	(34)	General and administration costs	(224)	(1,464)
(844)	**(190)**	**(34)**	**EBITDA**	**(224)**	**7,290**
(1)	-	-	Depreciation	-	(3)
(201)	(90)	(64)	Impairment	(154)	(374)
93	-	-	Share based payments	-	121
(88)	-	-	Gain/(loss) on sale of subsidiary	-	45,345
(1,041)	**(280)**	**(98)**	**EBIT - Operating income / (loss)**	**(378)**	**52,379**
41	16	7	Interest costs net of income	23	568
(20)	-	-	Other financial costs net of income	-	(66)
(361)	6	3	Net foreign exchange gain / (loss)	9	(523)
(1,381)	**(258)**	**(88)**	**Income / (loss) before tax**	**(346)**	**52,358**
-	-	-	Income tax benefit / (expense)	-	(12,700)
(1,381)	**(258)**	**(88)**	**Net income/(loss) for the period from discontinued operations**	**(346)**	**39,658**
(0.01)	(0.00)	(0.00)	Earning per share – basic and diluted (USD) for the period from discontinued operations	(0.00)	0.17

5. Earnings per share

Q2 2014	Q1 2015	Q2 2015	*Amounts in USD 000, unless otherwise stated*	YTD 2015	YTD 2014
	(Unaudited)			*(Unaudited)*	
(3,398)	(2,153)	(34,236)	Net profit / (loss) attributable to equity holders of the parent - **Total**	(36,389)	31,868
(2,017)	(1,895)	(34,148)	Net profit / (loss) attributable to equity holders of the parent - **Continuing operations**	(36,043)	(7,790)
234,546	234,546	234,546	Weighted average number of shares outstanding - in thousands	234,546	234,546
(0.01)	(0.01)	(0.15)	Basic and diluted earnings per share (USD) - Total	(0.16)	0.14
(0.01)	(0.01)	(0.15)	Basic and diluted earnings per share (USD) - Continuing operations	(0.15)	(0.03)

Diluted earnings per share

The Group had 925,005 outstanding share options as of June 30, 2015 (March 31, 2015: 925,005 options and December 31, 2014: 2,161,673 options) that are potentially dilutive ordinary shares. As of June 30, 2014: 4,785,003 share options were outstanding.

6. License interests, exploration and evaluation assets

	Licence interest, Exploration and Evaluation Assets	Development Assets
	USD 000	*USD 000*
Net book value		
At January 31, 2015 *(Audited)*	61,480	45,169
Impairment	(32,445)	-
Additions	1,144	7,827
At June 30, 2015 *(Unaudited)*	30,179	52,996

6.1. Provision for impairment

Provision for Impairment represents a USD 32.4 million impairment charge of the Dussafu asset. The impairment is the result of the effect of the recent decline in current and forward oil prices and is considered to be a fair and current reflection on the Company's valuation of the carrying value of the asset. The recognition of such provision is prudent and conservative treatment without an underlying change in technical view of the asset and the associated volumes. Impairment reversals will be considered on improvement of oil prices and macro-economic environment.

7. Share capital

The total number of ordinary shares in issue throughout the period ended June 30, 2015 was 234,545,786 with a nominal value of NOK 342,547,498.77.

At the Company's Annual General Meeting on May 27, 2015, a resolution was passed to reduce the Company's share capital by NOK 341,374,769.84, by a reduction of the par value of the shares, from NOK 1.460471768 to NOK 0.005 per share. At completion of the formalities, the Company's share capital will reduce to NOK 1,172,728.93, divided into 234,545,786 shares, each having a par value of NOK 0.005. The reduction amount will be transferred to free funds (ref. Section 12-1(1) no. 3 of Public Limited Companies Act).

Responsibility statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2015 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Julien Balkany
Chairman

Garrett Soden
Board member

Torstein Sanness
Board member

Alexandra Herger
Board member

John Hamilton
Chief Executive Officer

Other information

Financial calendar

August 20, 2015	Second quarter 2015 results
November 19, 2015	Third quarter 2015 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, counter-party risks including partner funding, regulatory changes including country risks where the Group's assets are located and other risks and uncertainties discussed in the Company's periodic reports. Forward-looking statements are often identified by the words "believe", "budget", "potential", "expect", "anticipate", "intend", "plan" and other similar terms and phrases. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation, and we undertake no obligation to update or revise any of this information.

Contact information

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