

# Third Quarter 2010 Financials

November 26, 2010

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Panoro Energy

ΠΑΝΟΡΟ ΕΝΕΡΓΕΙΑ

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# Agenda Q3 2010

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- Operational review Kjetil Solbrække, CEO
- Financial review Anders Kapstad, CFO
- Q&A
- Presentation of the MKB project in Congo-Brazzaville Mark Scarbrough,  
Drilling & Operations Manager  
MKB project

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# Operational Review

Kjetil Solbrække, CEO

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# Highlights

## Third Quarter 2010 and subsequent events

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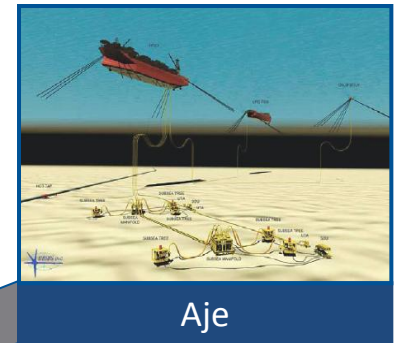
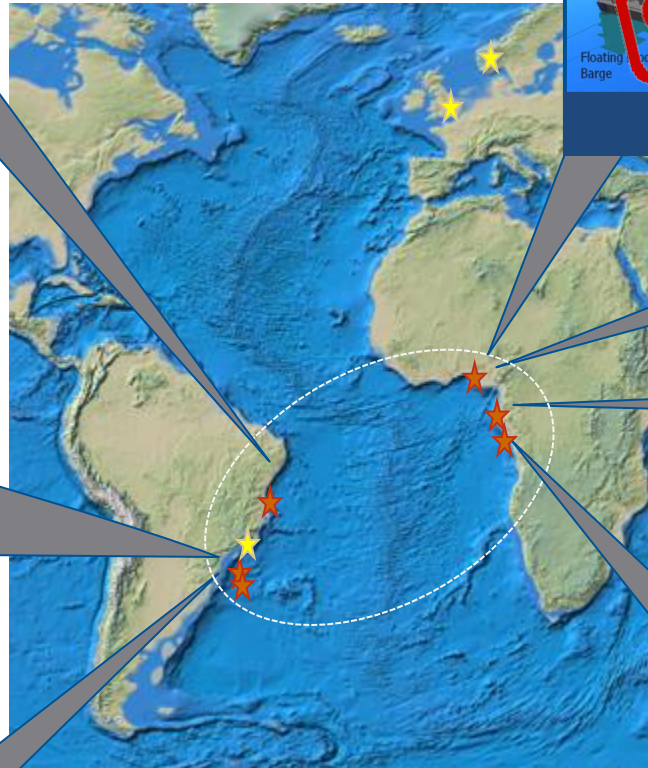
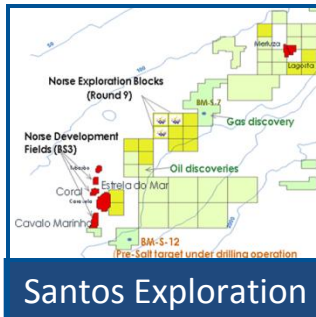
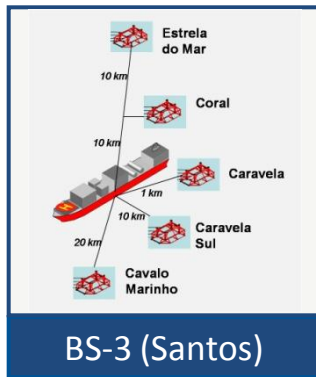


- EBITDA of USD 7 million
- Record production from Manati
- Positive production test from the MKB project in Congo-Brazzaville
- Confirmed timing for new BS-3 development plans in Brazil
- Commenced farm-out of Round 9 licenses in Brazil
- Successful completion of USD 140 million bond issue in November
- Closed the USD 30 million Ajapa sale in November



# Attractive and balanced asset portfolio

E&P independent with South Atlantic focus

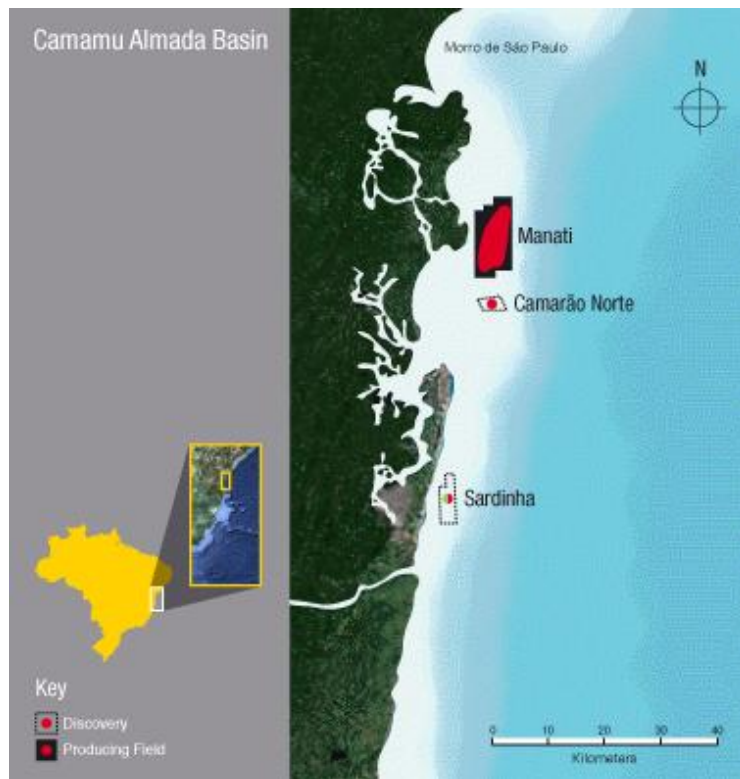


★ Offices: London, Rio, Oslo  
★ Panoro license area

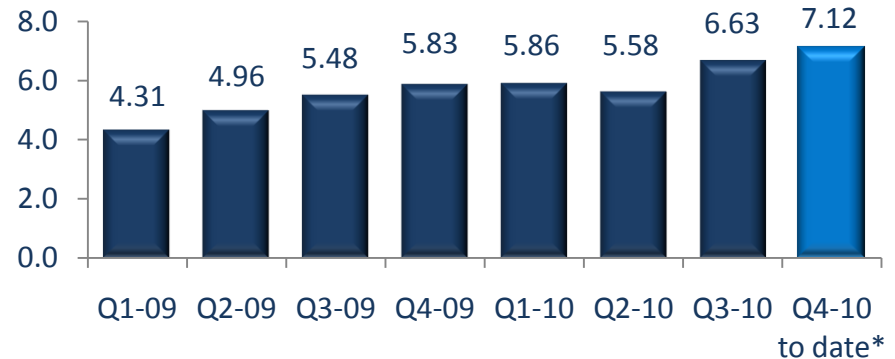
# Manati (10%)

Record production in Q3-10

Manati (Brazil)		BCAM-40
Operator	Petrobras (35%)	
Working Interest	10%	
Other Partners	Queiroz Galvão (45%), Brasoil (10%)	
1st Prod	2007	
Current stage	Production	



**Gross production MMm3/day**



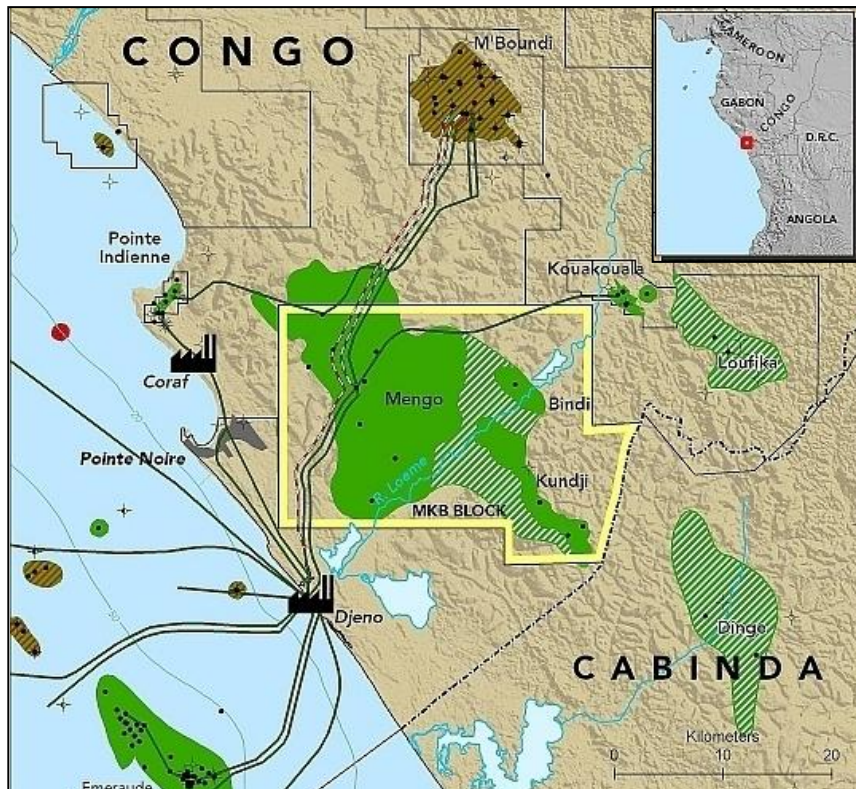
- Q3-2010 production from the field averaged 6.63 MMm3/day, resulting in sales of 3,992 BOE/day
- Q4-2010 production of 7.12 MMm3/day (4,478 boe/day), through Nov. 18, 2010
- Record production of 7.94 MMm3 reached on Oct 31, 2010, underlines field's capacity as swing producer
- Discussions continue for amendment to the existing gas contract (23 Bcm) to include all additional volumes in the field (~30 Bcm)

\* Through Nov 18, 2010

# Mengo-Kundji-Bindi (20%)

## Positive production test

MKB (Congo)		MKB
Operator	SNPC - Congo National Oil Company (60%)	
Working Interest	20%	
Other Partners	PetroCI (20%)	
1st Prod	2010 test production	
Current stage	Pilot project commenced	



- Established combined production capacity of approximately 900 bopd from KUN-4bis and KUN-5
- Operations to date have confirmed:
  - Sufficient permeability
  - Good results from fracking
  - Oil flow without formation water
- 6 additional wells to be drilled as part of pilot project
- Full field development plan to be agreed after pilot project



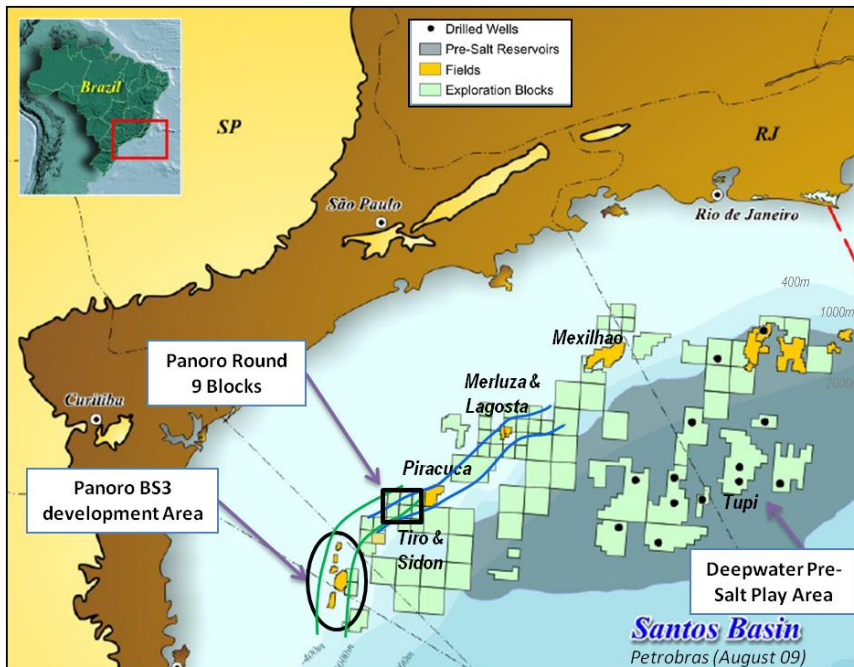
# BS-3 Integrated

## Moving towards new development plan

### BS-3 area (Brazil)

Operator	Petrobras (35-100%)
Working Interest	35-65%
Other Partners	Queiroz Galvão (0-15%), Brasoil (0-15%)
1st Prod	2014
Current stage	Field Development Planning

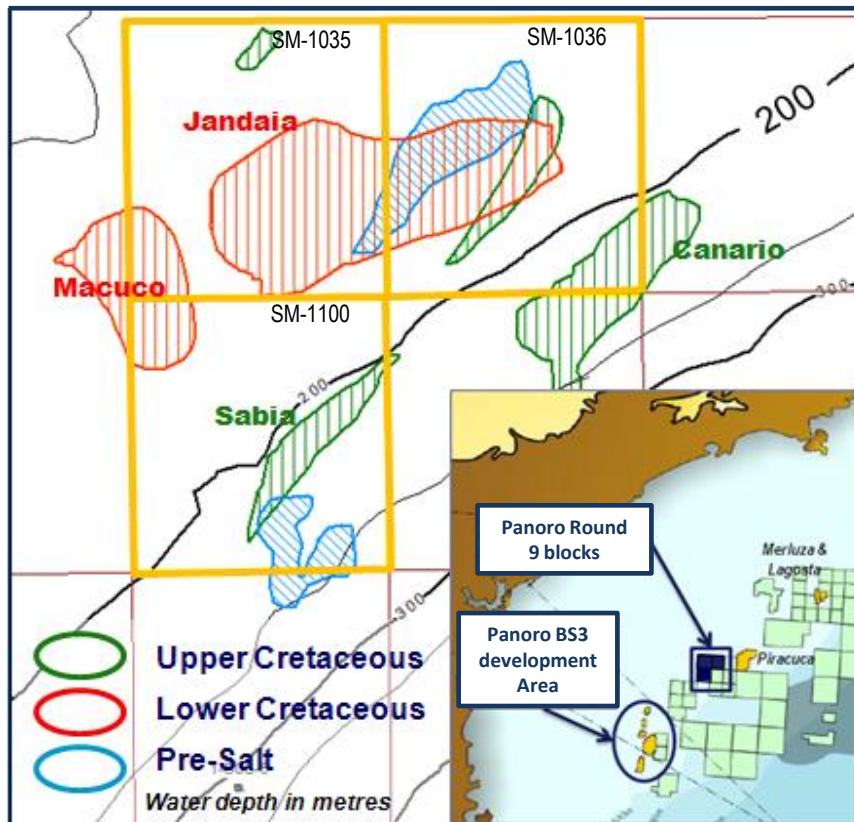
- Operator to submit new development plan for the BS-3 area by Jan 13, 2011
- Concept selection and investment decision Q3-2011
- Plan to include
  - Development of low-permeability B1 reservoir
  - Joint development for the fields in the BS-3 area
- Aligned with Panoro's long-term objectives



# Round 9 exploration blocks

## Farm out process commenced

Round 9 (Brazil)		SM-1035, SM-1036, SM-1100
Operator	Panoro Energy (50%)	
Working Interest	50%	
Other Partners	Brasão 50%	
Drill decision	Q1 2011	
Current stage	3D seismic data processing and interpretation	



- 3D seismic indicates the licenses could hold gross un-risked resource potential of 880 (best est.) – 1,100 MMBOE (high est.)
- Farm out process commenced
  - Conclusion is expected Q1-11
  - Drill or drop decision in March 2011

# Portfolio overview

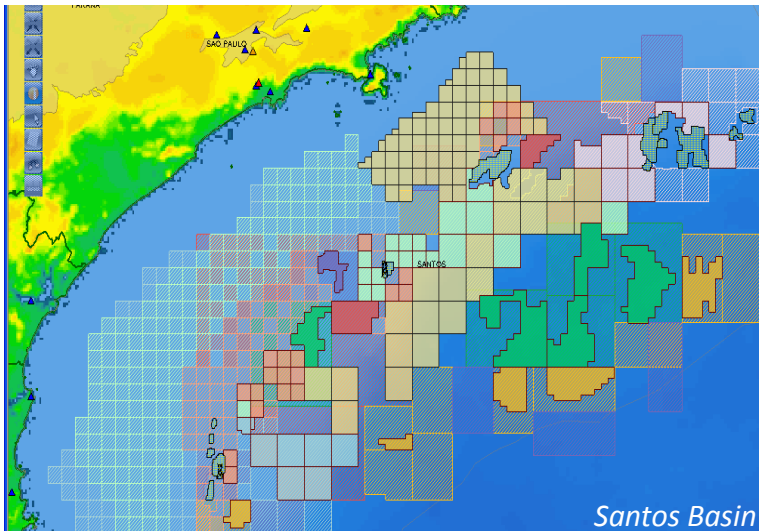
Indicative timelines - no major changes from Q2 guidance

Activity	2010	2011				2012			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Manati, Brazil</b>	Additional gas contract/ compressor station decision								
<b>Ajapa, Nigeria</b>	Sale closed								
<b>MKB, Congo</b>	Pilot project testing & appraisal drilling					Production build-up & appraisal			
<b>Aje, Nigeria</b>	Partner discussions & commercial terms								
<b>BS-3, Brazil</b>		Filing of POD		Concept selection and FID					
<b>West Africa exploration</b>		Dussafu firm well + contingent well							
<b>Brazil exploration</b>	Farm out							Potential wells 9th round blocks	

# Outlook



- Restart production and commence 6 well drilling program in MKB
- Amendment to Manati gas contract
- BS-3 development plan
- Progressing Round 9 farm-out
- Preparations for drilling in Dussafu, Gabon





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# Financial Review

Anders Kapstad, CFO

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# Financial highlights

Q3-2010 and subsequent events

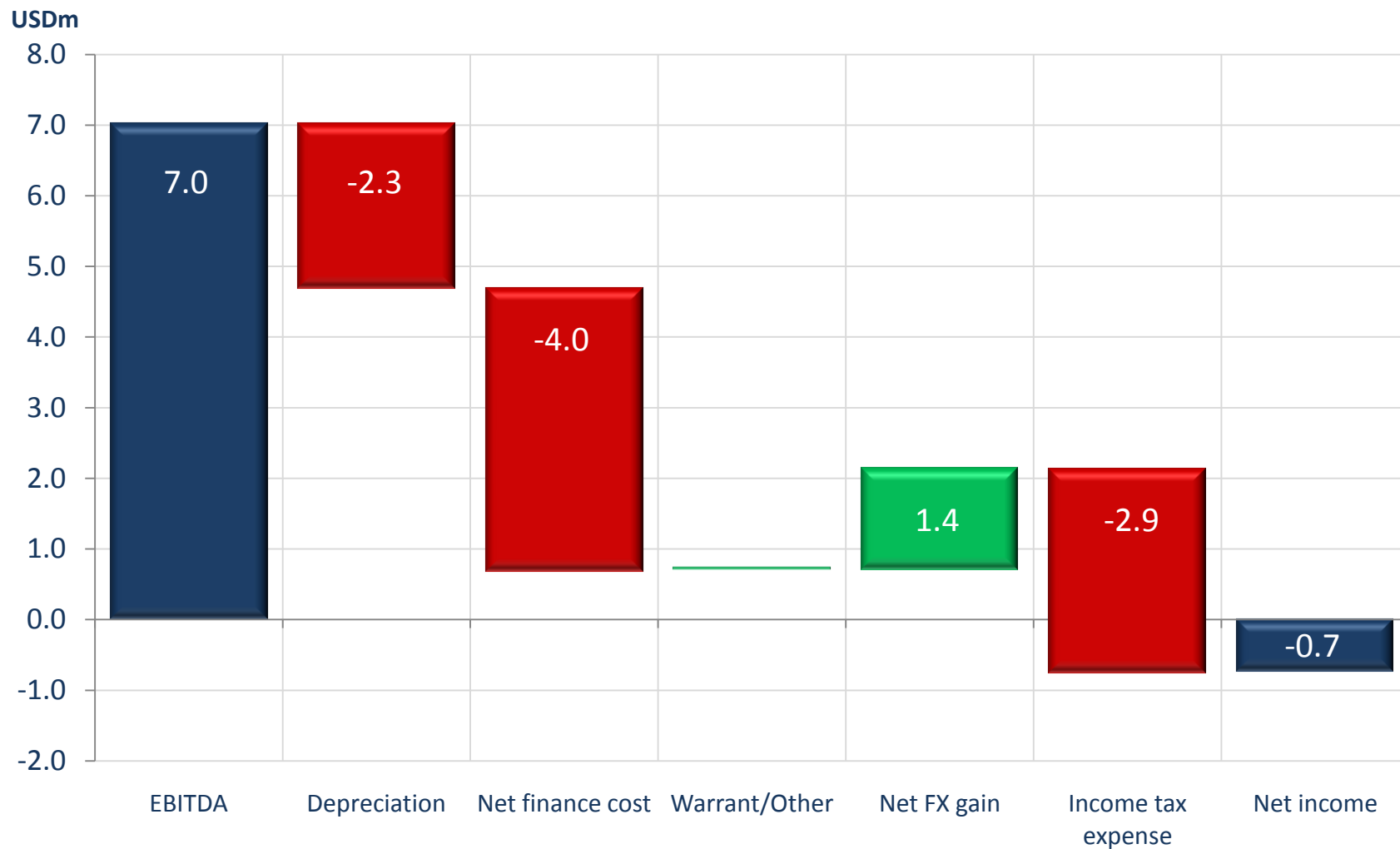
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- EBITDA of USD 7.0 million
  - Strong production from Manati
  - G&A includes the fully merged entity
- Strong balance sheet
  - Total assets of USD 422 million, equity ratio of 56%
  - Cash position of USD 31 million
  - Asset held for sale of USD 30 million (closed in Q4)
  - Net interest-bearing debt of USD 91 million end Q3-10
- Significantly improved financial strength with new bond issue and closing of Ajapa sale

# Profit & Loss Statement (USD '000)

Condensed consolidated statement of comprehensive income	Q2-2010	Q3-2010
Oil and Gas revenue	9,695	11,734
Other income	-	-
<b>Total revenues and other income</b>	<b>9,695</b>	<b>11,734</b>
Production costs	(1,164)	(1,220)
Exploration and dry-hole costs	(4,659)	(96)
General and administrative costs	(2,786)	(3,207)
Merger and restructuring costs	(4,678)	(198)
<b>EBITDA</b>	<b>(3,592)</b>	<b>7,013</b>
Depreciation	(1,966)	(2,324)
Share-based payments		(106)
<b>EBIT - Operating income/(loss)</b>	<b>(5,558)</b>	<b>4,583</b>
Gain on acquisition of subsidiary	2,931	-
Net finance income/(costs)	(5,678)	(4,000)
Net foreign exchange gain/(loss)	(47)	1,431
Warrants effect - gain/(loss)	(577)	129
<b>Income/(loss) before tax</b>	<b>(8,929)</b>	<b>2,143</b>
Income tax benefit/(expense)	2,008	(2,871)
<b>Net income/(loss) for the period</b>	<b>(6,921)</b>	<b>(728)</b>

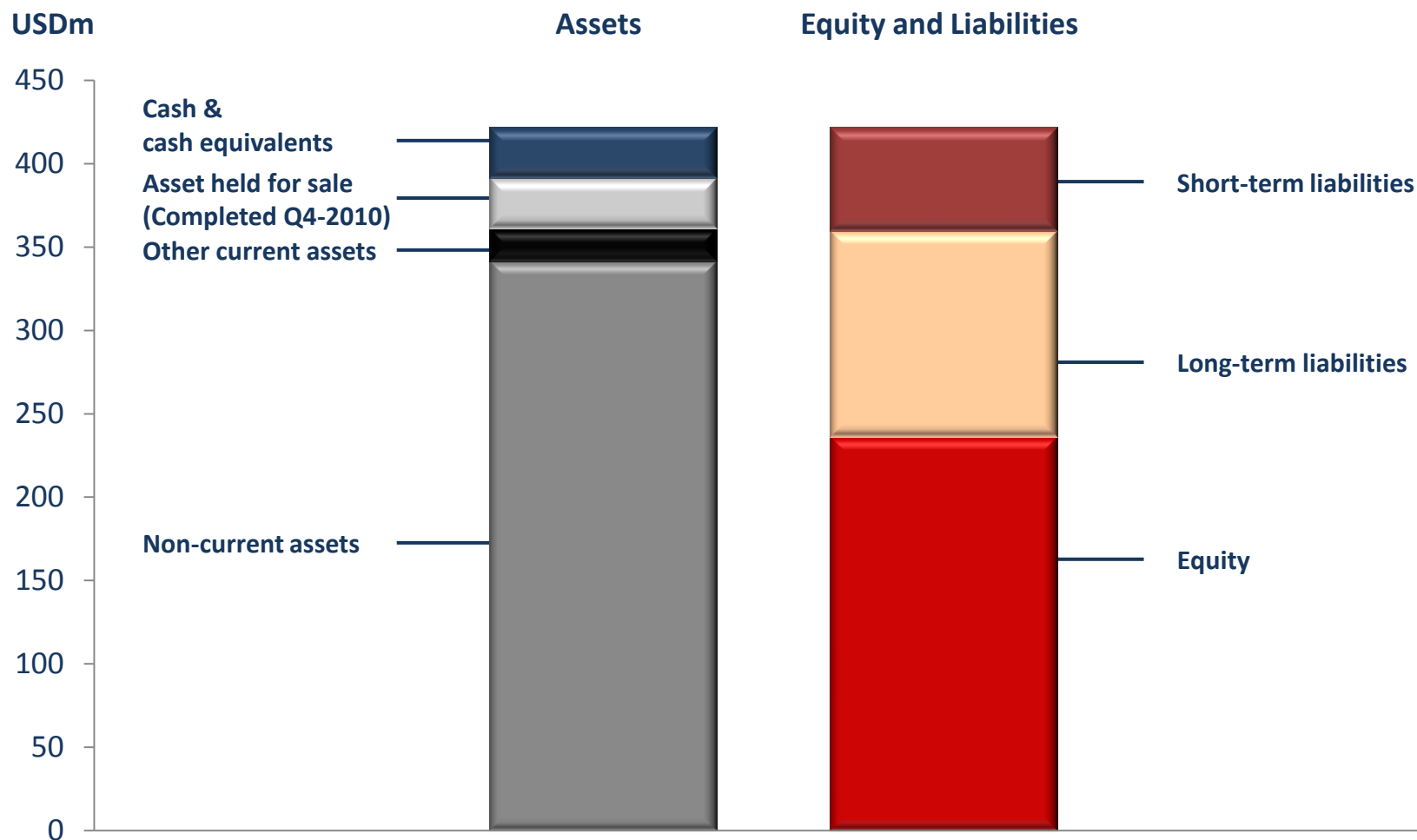
# P&L items Q3-2010





# Balance sheet

Per September 30, 2010



Net interest-bearing debt was USD 91 million per Sept 30, 2010

# Debt restructuring

Approximately 80 USDm in increased financial strength over next two years

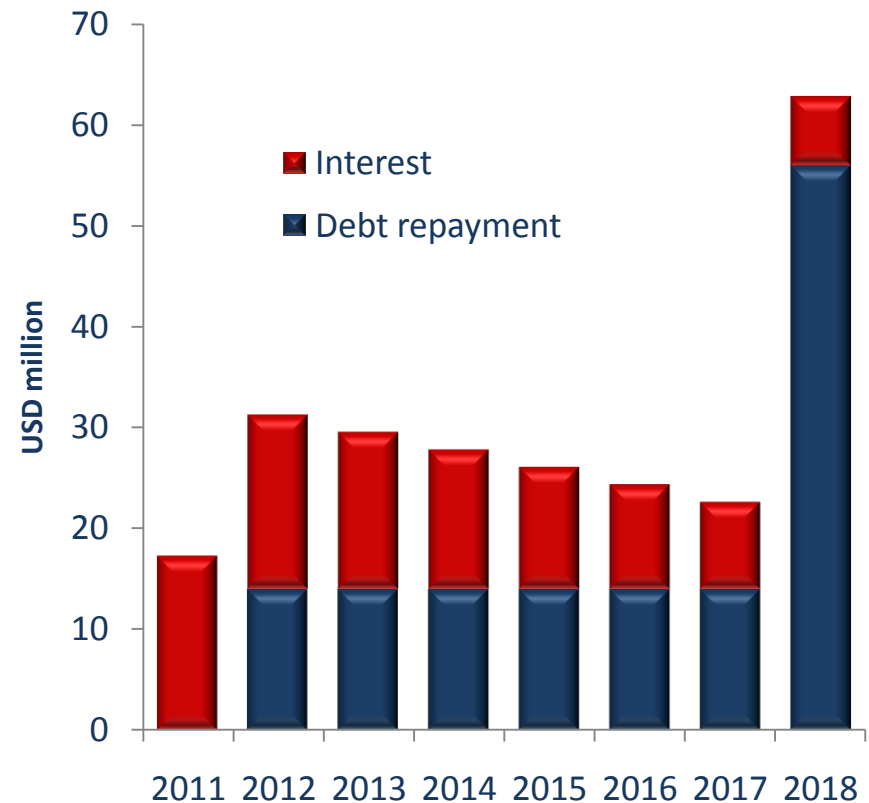
## New 8-year secured bond loan:

- USD 105 million @ 12.0% interest
- NOK 205 million @ 13.5% interest
- Total approx. USD 140 million

## Financial consequences

- Improved amortization & interest
- Termination of cash-sweep
- Excess funds raised from bond issue

## New bond repayment schedule



# 2011 financial flexibility

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- Limited committed CAPEX in 2011
- Further investments depend on:
  - Successful result of pilot wells on MKB and subsequent full scale development
  - Successful Dussafu exploration result
  - Drill or drop decisions for Round 9 licenses - farm-out process ongoing
  - BS-3 field development decision expected H2 2011
- Other funding sources
  - Farm-out process for Round 9
  - Reserve based lending opportunity in Congo

# Third Quarter 2010 Financials

## Q&A

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