Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	994 051 067
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	PANORO ENERGY ASA
Forretningsadresse:	c/o Advokatfirmaet Schjødt AS Ruseløkkveien 14 0251 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Marcus Seeli
Dato for fastsettelse av årsregnskapet:	30.04.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 12.06.2022

Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Kostnader			
Nedskrivning av varige driftsmidler og immaterielle eiendeler	2,6,7,8	218 000	190 000
General and administrative expense		1 281 000	720 000
Sum kostnader		**1 499 000**	**910 000**
Driftsresultat		**-1 499 000**	**-910 000**
Finansinntekter og finanskostnader			
Financial income	3	10 928 000	10 234 000
Currency gain/loss		0	253 000
Sum finansinntekter		**10 928 000**	**10 487 000**
Annen rentekostnad	3	2 000	112 000
Currency gain/loss		16 000	
Sum finanskostnader		**18 000**	**112 000**
Netto finans		**10 910 000**	**10 375 000**
Ordinært resultat før skattekostnad		**9 411 000**	**9 465 000**
Ordinært resultat etter skattekostnad		**9 411 000**	**9 465 000**
Årsresultat		**9 411 000**	**9 465 000**

Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap	6	18 003 000	18 003 000
Sum finansielle anleggsmidler		**18 003 000**	**18 003 000**
Sum anleggsmidler		**18 003 000**	**18 003 000**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	8	82 523 000	63 023 000
Other current assets			1 000
Sum fordringer		**82 523 000**	**63 024 000**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		1 082 000	11 414 000
Sum bankinnskudd, kontanter og lignende		**1 082 000**	**11 414 000**
Sum omløpsmidler		**83 605 000**	**74 438 000**
SUM EIENDELER		**101 608 000**	**92 441 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	9	459 000	458 000
Overkurs	9	349 446 000	349 192 000
Annen innskutt egenkapital	9	122 055 000	122 055 000
Sum innskutt egenkapital		**471 960 000**	**471 705 000**

Balanse

Beløp i: USD	Note	2020	2019
Opptjent egenkapital			
Udekket tap	9	374 989 000	384 400 000
Sum opptjent egenkapital		**-374 989 000**	**-384 400 000**
Sum egenkapital		**96 971 000**	**87 305 000**
Sum langsiktig gjeld		**0**	**0**
Kortsiktig gjeld			
Leverandørgjeld		478 000	58 000
Kortsiktig konserngjeld	8	4 138 000	4 677 000
Annen kortsiktig gjeld	10	21 000	401 000
Sum kortsiktig gjeld		**4 637 000**	**5 136 000**
Sum gjeld		**4 637 000**	**5 136 000**
SUM EGENKAPITAL OG GJELD		**101 608 000**	**92 441 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt	3	24 167 000	42 968 000
Annen driftsinntekt	3	2 689 000	3 810 000
Sum inntekter		**26 856 000**	**46 778 000**
Kostnader			
Operating costs		15 014 000	15 345 000
Avskrivning på varige driftsmidler og immaterielle eiendeler	8,9	6 963 000	6 979 000
General and administrative costs	4	5 075 000	5 716 000
Impairment / reversal of impairment for Oil and gas assets	9		-8 145 000
Non-recurring costs	4	725 000	1 106 000
Share based payments	17	897 000	767 000
Sum kostnader		**28 674 000**	**21 768 000**
Driftsresultat		**-1 818 000**	**25 010 000**
Finansinntekter og finanskostnader			
Annen renteinntekt	5	59 000	38 000
Net foreign exchange gain/loss			215 000
Unrealised gain/loss on commodity hedges	5	2 460 000	
Realized gain/loss on commodity hedges	5	4 522 000	
Sum finansinntekter		**7 041 000**	**253 000**
Annen rentekostnad	5	1 696 000	2 534 000
Net foreign exchange gain/loss		366 000	
Unrealised gain/loss on commodity hedges	5		1 837 000
Realized gain/loss on commodity hedges	5		980 000
Loss/gain on disposal	8		288 000
Other financial costs	5	853 000	779 000
Sum finanskostnader		**2 915 000**	**6 418 000**
Netto finans		**4 126 000**	**-6 165 000**
Ordinært resultat før skattekostnad		**2 308 000**	**18 845 000**
Ordinært resultat etter skattekostnad		**2 308 000**	**18 845 000**

Konsernets resultatregnskap

Beløp i: USD	Note	2020	2019
Net income/loss from discontinued operations		-3 138 000	4 822 000
Skattekostnad på ekstraordinære poster	6	4 503 000	13 477 000
Årsresultat		**-5 333 000**	**10 190 000**

Konsernets balanse

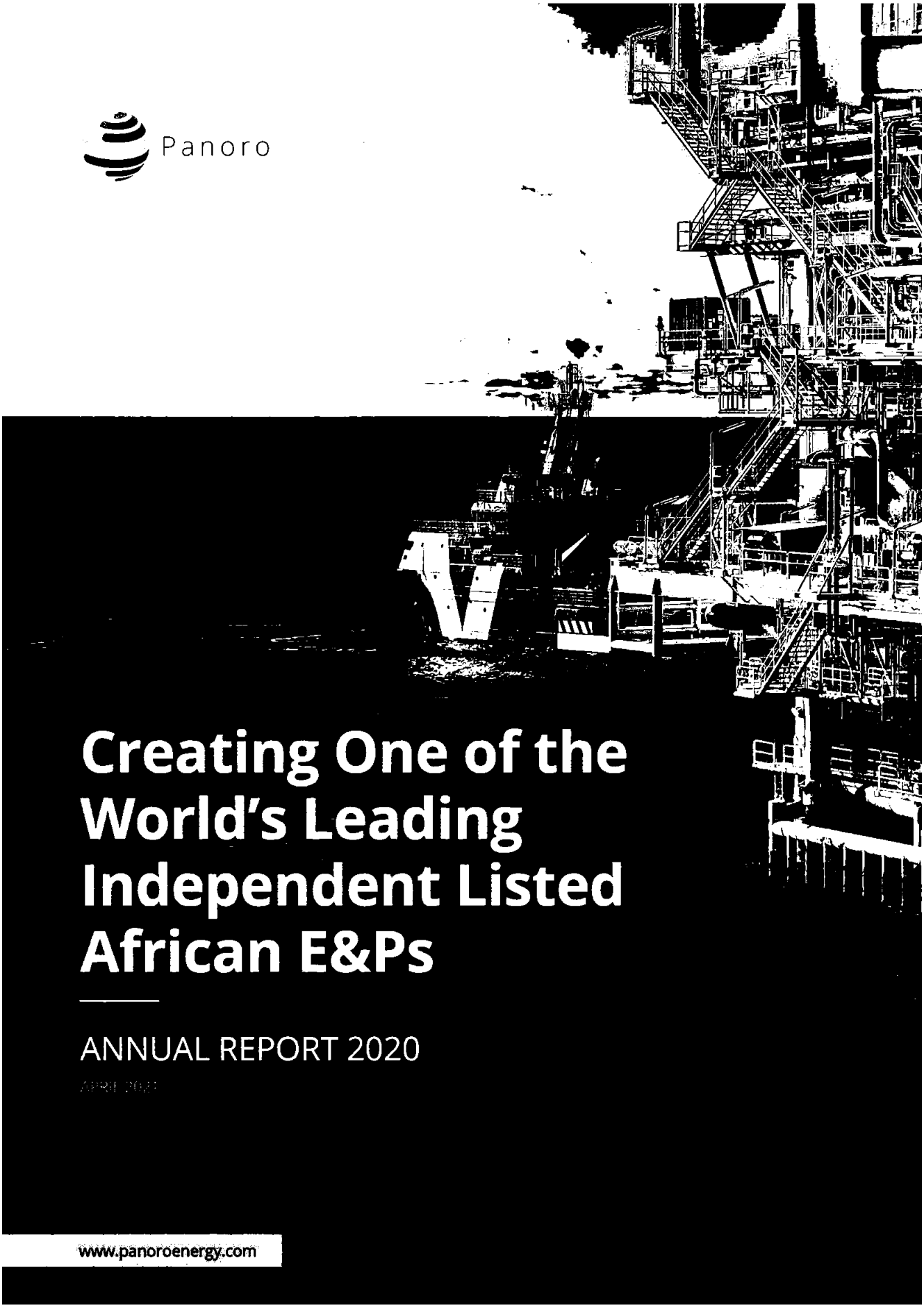
Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Production rights	8	26 475 000	28 876 000
Licenses and exploration assets	8	21 070 000	19 760 000
Sum immaterielle eiendeler		**47 545 000**	**48 636 000**
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom	9	640 000	948 000
Production assets and equipment	9	32 303 000	30 979 000
Development assets	8	14 522 000	5 915 000
Other non-current assets		135 000	131 000
Assets clasified as held for sale	13	20 445 000	20 925 000
Sum varige driftsmidler		**68 045 000**	**58 898 000**
Finansielle anleggsmidler			
Investeringer i tilknyttet selskap		26 000	26 000
Sum finansielle anleggsmidler		**26 000**	**26 000**
Sum anleggsmidler		**115 616 000**	**107 560 000**
Omløpsmidler			
Varer			
Crude Oil inventory		1 666 000	358 000
Materials inventory		4 254 000	4 773 000
Sum varer		**5 920 000**	**5 131 000**
Fordringer			
Kundefordringer	10	10 857 000	9 372 000
Sum fordringer		**10 857 000**	**9 372 000**
Investeringer			
Fair value of derivative financial instruments - current portion	17	1 380 000	
Sum investeringer		**1 380 000**	
Bankinnskudd, kontanter og lignende			

Konsernets balanse

Beløp i: USD	Note	2020	2019
Bankinnskudd, kontanter og lignende	11	15 634 000	30 453 000
Sum bankinnskudd, kontanter og lignende		**15 634 000**	**30 453 000**
Sum omløpsmidler		**33 791 000**	**44 956 000**
SUM EIENDELER		**149 407 000**	**152 516 000**
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital	14	459 000	458 000
Overkurs	14	349 446 000	349 193 000
Annen innskutt egenkapital		122 465 000	122 131 000
Sum innskutt egenkapital		**472 370 000**	**471 782 000**
Opptjent egenkapital			
Other reserves	14	-43 408 000	-43 408 000
Udekket tap		361 017 000	355 683 000
Sum opptjent egenkapital		**-404 425 000**	**-399 091 000**
Sum egenkapital		**67 945 000**	**72 691 000**
Gjeld			
Langsiktig gjeld			
Utsatt skatt	6	3 217 000	2 024 000
Decommissioning liability	13	21 464 000	18 911 000
Sum avsetninger for forpliktelser		**24 681 000**	**20 935 000**
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	5	12 738 000	16 471 000
Licence obligations		4 726 000	4 726 000
Fair value of derivative financial instruments	17		106 000
Other non-current liabilities	15	2 172 000	1 708 000
Sum annen langsiktig gjeld		**19 636 000**	**23 011 000**
Sum langsiktig gjeld		**44 317 000**	**43 946 000**

Konsernets balanse

Beløp i: USD	Note	2020	2019
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	5	8 455 000	8 526 000
Leverandørgjeld	15	6 020 000	1 555 000
Betalbar skatt	6	1 302 000	4 991 000
Licence obligations - current portion		1 166 000	1 166 000
Fair value of derivative financial instruments - current portion	17		974 000
Other current liabilities	15	1 291 000	2 292 000
Liab. directly associated with assets classified as held for sale	12	18 911 000	16 375 000
Sum kortsiktig gjeld		**37 145 000**	**35 879 000**
Sum gjeld		**81 462 000**	**79 825 000**
SUM EGENKAPITAL OG GJELD		**149 407 000**	**152 516 000**


Panoro
Creating One of the World's Leading Independent Listed African E&Ps
ANNUAL REPORT 2020
APRIL 2021
www.panoroenergy.com

Panoro Energy ASA is an independent exploration and production (E&P) company headquartered in London and listed on the Oslo Stock Exchange with ticker PEN.

The Company holds production, development, and exploration assets in West and North Africa. Operations in West Africa include the Dussafu License offshore southern Gabon and OML 113 offshore western Nigeria, which is classified as held for sale.

The North African portfolio comprises a participating interest in five producing oil field concessions (TPS), the Sfax Offshore Exploration Permit (SOEP), and the Ras El Besh concession, all in the region of the city of Sfax, Tunisia.

Subsequent to year-end, the Company acquired a working interest in Block G, offshore Equatorial Guinea that comprises two producing oil assets. Additionally, a farm-in to Block 2B, offshore South Africa, completed in April 2021.

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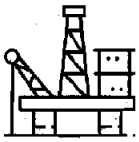
Financial highlights - continuing operations (in USD 000)	2020	2019
Oil Revenue	24,167	42,968
Underlying operating profit/(loss) before tax	1,470	14,698
EBITDA	6,042	24,611
EBIT	(1,818)	24,722
Net Profit/(Loss)	(2,195)	5,368

Operational metrics - continuing operations	2020	2019
Oil sales (bbls) net	622,638	691,044
Average production - working interest (bopd)	2,440	2,069
2P Reserves (MMbbls) net working interest	12.3	13.4
2C Contingent Resources (MMbbls) net working interest	4.3	4.3

OPERATIONAL AND BUSINESS DEVELOPMENT HIGHLGHTS



Completion of DTM-5H well and startup of phase 2 production at Tortue Field in Gabon

Recommencement of Hibiscus/Ruche development project in Gabon

Drilling and completion of GUE-10AST production well at Guebiba field in TPS assets in Tunisia

TPS assets in Tunisia achieved 5,000 bopd gross production

Farm-in to 12.5% interest in Block 2B offshore South Africa

All operational metrics improved following a challenging year

Negotiated acquisition of interests in Block G, Equatorial Guinea which completed in March 2021, and additional 10% interest in Dussafu (subject to completion)

ASSETS

Equatorial Guinea:	Interest in Block G, offshore	14.25%
Gabon:	Interest in Dussafu Marin permit, offshore	7.4997%
Tunisia:	Interest in TPS assets	29.4%
	Interest in the Sfax Offshore Exploration Permit ("SOEP") – Operator	52.5%
	Non-operated interest in the Hammamet Offshore Exploration Permit (under relinquishment)	27.6%
Nigeria:	Participating interest (12.1913% revenue interest and 16.255% paying interest) in OML 113 Aje field, offshore	6.502%

Detailed information on all the assets is included in the Operations section of the Directors report on page 7.

PANORO OFFICES

The Company maintains its registered address in Oslo with offices in London (headquarter) and Tunis.

Dear Fellow Shareholders:

2020 was certainly a year few of us will ever forget. The global loss of life, widespread health crisis, and economic strain created by the COVID-19 pandemic touched everyone's lives. The effects are still very much with us, with continuing risks and uncertainties as we learn to live with the virus. We welcome the confidence that the vaccines have provided; yet it is inevitable that there will be continued disruption to our old ways of living and working.

For Panoro specifically, 2020 held the full spectrum of experiences. Huge decreases in oil prices, incredibly strained logistics chains, and the fear of widespread infection amongst staff dominated our concerns and attention. Once the worst of the price drop and stock market volatility was over by May, we entered into a period of positive assessment of our oil price hedges, conservative balance sheet, low operating cost assets, and resilient safety protocols. Panoro was materially affected by events but could see a way forward. The support of our key shareholders encouraged us to evaluate market opportunities despite the low oil price. In early 2021, we announced the outcome of eight months of work to acquire production assets from Tullow Oil. The Tullow transactions have significantly changed Panoro and will provide stability and growth for many years to come.

Along with our joint venture partners, we are particularly pleased to have had an exceptional health, safety and environmental performance during these unusually difficult times. The resilience of our systems was proven and strengthened where necessary. This performance allowed us to continue operations during the year and in fact even grow our production.

In line with our growth-oriented business model, we are firmly committed to embracing our social and environmental responsibilities. We believe that this is the right approach for all our stakeholders, including but not limited to host countries, local communities, our shareholders and business partners.

Financials and Corporate Activity

The macro events of the year materially impacted the financial statements across the industry. For Panoro, revenue and EBITDA were materially lower than the previous year. Production growth was truncated due to postponed activity; operating costs increased due to lower production volumes. Capital expenditure was held back as well. Overall, the impact of a successful crude hedging policy meant that the worst of the year's oil prices were compensated partially through financial gains. Overall, 2020 showed a creditable financial performance against very strong head winds.

Corporate activity was also extremely high during 2020, culminating with the Tullow transactions announced earlier this year.

In February 2021 Panoro announced the acquisition of a 14.25% working interest in Block G, offshore Equatorial Guinea, and an additional 10% working interest in Dussafu Marin Permit, offshore Gabon, each from subsidiaries of Tullow Oil plc for initial combined cash consideration of up to USD 140 million. These transactions represented transformative and highly accretive deals which firmly establish Panoro as a leading Africa focussed independent listed E&P. The company size increased 3-4x, with the acquisitions adding in excess of 6,500 bopd net production (estimated 2021) and 25 MMbbls net WI 2P reserves.

The transactions were financed with the key support of existing and new shareholders who supported a USD 80 million equity private placement, and an up to USD 90 million underwritten debt facility by a company within the Trafigura group of companies.

Importantly, Panoro is expected to be fully financed for all foreseeable capex and net production ramp-up to ~12,000 bopd over the coming two years, following which cash balances should be able to provide for material dividends and shareholder returns.

Panoro had previously announced the conditional sale of its interests in Nigeria and signed a farm in agreement for a modest financial exposure to an exciting exploration well in Block 2B, South Africa.

Operations

Despite the delayed activity, Panoro was able to continue to produce and lift during the crisis, which allowed our business to be partially insulated from the global logistical disruptions. Again, health and safety protocols proved to be robust.

Annual group production net to Panoro of approximately 2,200 bopd was a modest increase on comparative 2019 net production. Production operations were negatively impacted by the pandemic. In Gabon, while two new wells were brought onstream, an additional two were deferred until 2021. In Tunisia, a number of work-over operations were postponed until later in the year, where we have now seen the impact of higher production in Q4 and into 2021.

Development projects and capital expenditure were put on hold. In Gabon, the final two Tortue Phase 2 wells were postponed, resulting in less capital expenditure in 2020 against forecasts. The start of the Hibiscus Ruche Phase 1 development was also postponed for a year. This development has now recommenced with first oil expected in early 2023, which should see production reach 40,000 bopd gross. In Tunisia, capital expenditure was principally on budget as development operations, while delayed by a number of months, were undertaken. These Tunisian activities were a success, with increases in production established, without HSE incident.

Delays in new capital programs had a positive outcome as well. In Gabon, material cost savings of approximately $100 million gross were identified for the Hibiscus Ruche Phase 1 development. The reprocessing of seismic during the year (acquired by Panoro in 2013/4) has resulted in an upgrade to the estimates of prospective resources in the great Hibiscus area, which will be tested by a well during Q2 2021.

Panoro also recently completed a farm-in to the exciting Block 2B, offshore South Africa. We look forward to drilling this well as soon as practically possible, which may occur as early as Q4 2021.

Environment, Social, Governance

We recognise the challenge facing the energy industry today – to meet the world's increasing energy demands with a reliable source of energy whilst addressing the need to reduce carbon emissions. With this in mind, we are establishing an environmental policy and at an executive level, we are identifying and understanding our emissions footprint in order to fully appreciate and mitigate the environmental impact of our activities. Our focus is to understand our performance and plan activities to improve.

Over the past year, health and safety has gained a new meaning. A rapid response to COVID-19 across our asset base meant that we could work closely with our partners to tackle any issues that might arise due to COVID-19. We are continuing to keep a watchful eye over our health and safety performance and throughout 2021 we will continue to invest in it using the industry expertise of our new colleagues and that of our established partners to continue driving improvements.

We are dedicated to ensuring that the company's presence has a positive impact on every stakeholder. Our industry plays a vital role in the socioeconomic development of the countries in which we operate, and it is our duty to be a responsible corporate citizen. We are also mindful of the impact the energy transition might have on the economies that rely on oil and gas revenues and will work closely with our host governments and other stakeholders to ensure a steady, safe and effective transition can occur in Africa. We will continue to work in partnership with our local communities in Tunisia where we are the operator, as we believe this is the best way to achieve long-lasting and sustainable positive change. Our Code of Conduct (COC) establishes the general guidelines to be observed to meet our culture, which focuses on high ethical standards, professionalism, respect, honesty, transparency, loyalty and trust throughout all levels of the organisation.

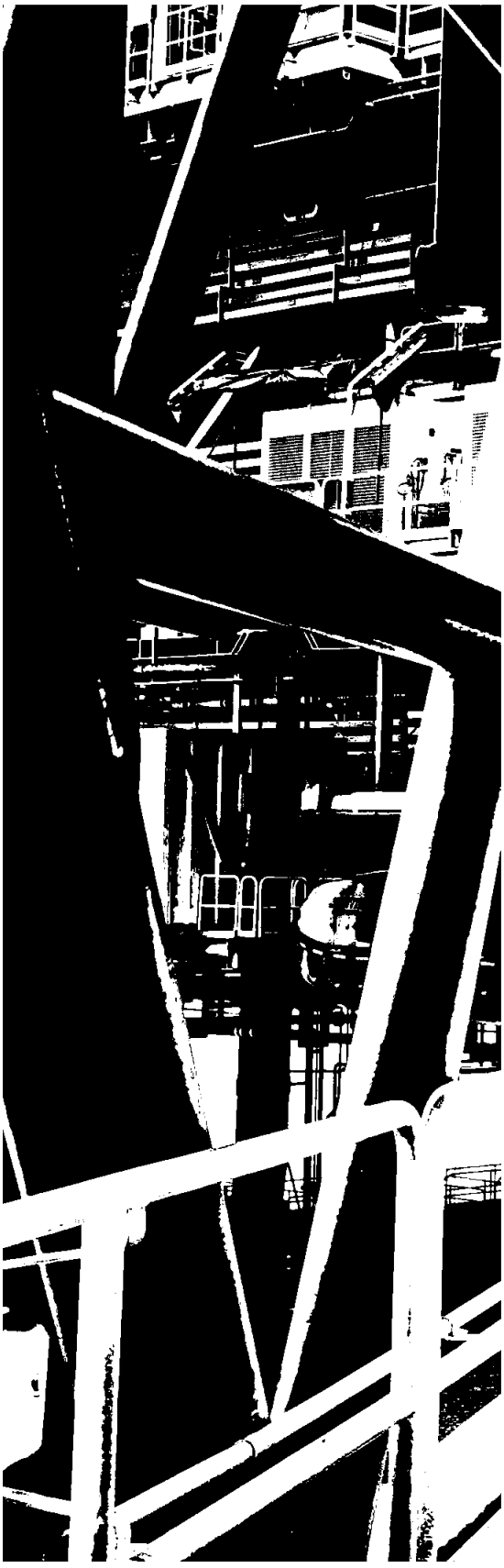
Outlook

Panoro's outlook has never looked brighter. With the Tullow transactions, Panoro is now firmly established as a significant oil producer with financial strength. The recovery of the oil price and production growth expectations over the next few years will enable Panoro to fund all capital expenditure and leave the company positioned to pay dividends from 2023 when Hibiscus Ruche comes into production. The production platform is greatly enhanced by an exciting exploration program in Gabon and South Africa which will see Panoro drilling three key wells during 2021.

Finally, we would like to wholeheartedly thank our existing and new shareholders, our strategic partners, our dedicated staff and more generally all our stakeholders for their invaluable support during those challenging times.

John Hamilton
CEO, Panoro Energy ASA

30 April 2021

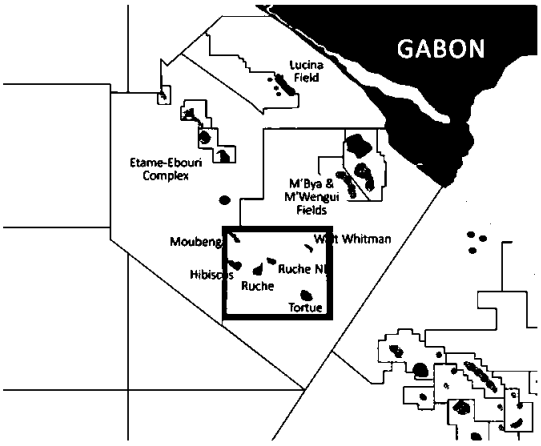


ABOUT PANORO

Panoro Energy ASA is an independent exploration and production (E&P) company headquartered in London and listed on the Oslo Stock Exchange with ticker PEN. The Company holds production, development, and exploration assets in North and West Africa.

OPERATIONS

Operations in Gabon



Panoro Energy are partners in the Dussafu license, a production and development license in southern Gabon, operated by BW Energy Gabon. Panoro's current interest in the license is 7.5% which will increase to 17.5% on completion of the acquisition of an additional 10% from Tullow Oil plc.

The Dussafu license, and the associated Ruche Exclusive Exploitation Area (Ruche EEA), covers 850km^2 offshore southern Gabon in an average water depth of 116 metres. The area contains a producing field and multiple discoveries and undrilled structures lying within a proven oil and gas play fairway within the Southern Gabon Basin.

There are six oil fields within the EEA: Moubenga, Walt Whitman, Ruche, Ruche North East, Tortue and Hibiscus. The latter four fields were discovered by Panoro and JV partners in the last 9 years.

The first field to be developed in the EEA is the Tortue field where first oil was achieved in September 2018. Oil is produced at Tortue through subsea wells tied back to a leased FPSO, the BW Adolo. Oil is processed, stored and offloaded from the FPSO to a crude tanker and transported by sea. Typical lifting parcels are about 650,000 barrels.

The Tortue field produced from four wells during 2020 and cumulative gross oil produced from the Tortue field amounted to 5.2 million barrels during the year, at an average gross rate of 14,100 bopd.

The second phase of drilling at the Tortue field concluded in March 2020 with three additional production wells successfully drilled and completed. The first two of these wells, DTM-4H and DTM-5H, came online in March 2020. Of the remaining phase 2 wells, DTM-7H, is due to be drilled in Q3 2021 and, together with the already drilled and completed DTM-6H, will come on production by the end of 2021.

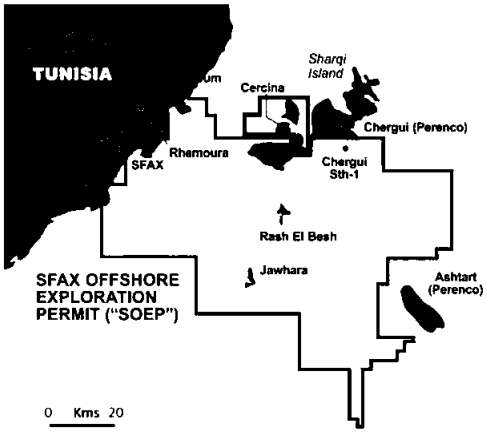
Work towards the next phase of development at Dussafu, the Hibiscus and Ruche fields, was resumed during 2020. Hibiscus/Ruche Phase 1 will consist of four production wells at the Hibiscus field and two wells at the Ruche field, all to be drilled in the Gamba formation from a 12-slot platform and tied back to the Adolo FPSO via a 20km pipeline. Hibiscus/Ruche Phase 2 development will target additional discovered resources through up to 7 further production wells, with the objective to maintain the production plateau. It is estimated by the operator that the FPSO nameplate capacity of 40,000 bopd will be reached and exceeded once Hibiscus/Ruche phase 1 comes fully online. A revised development plan was implemented in 2020, including use of a jack-up rig in place of a wellhead platform. This results in material cost and time savings with an estimated saving of USD 100 million gross in capital compared to the previous concept. The Hibiscus/Ruche project now has a break-even of approximately USD 25 per barrel.

At Dussafu, interpretation of seismic reprocessing completed during 2020 and results were used to define the upcoming 2021 drilling campaign. The JV agreed to drill the DHIBM-2 exploration well targeting the Hibiscus Extension planned for Q2 2021. The DHIBM-2 well is planned to intersect the Gamba reservoir to test structure, oil and reservoir presence in what is believed to be an extension of the Hibiscus field. Following the DHIBM-2 well, the rig will move to drill the horizontal production well, DTM-7H, at the Tortue field completing the phase 2 development of Tortue. Finally, the rig will then move to drill the Hibiscus North prospect, located approximately 6 km north-northeast of the DHIBM-1 well. Hibiscus North is a separate prospect that could be tied into the Hibiscus/Ruche development project.

In February 2021, Netherland, Sewell and Associates, Inc. (NSAI), the reserves auditors for the project, updated their estimates for recoverable reserves in the Dussafu license. As of the end of December 2020, the Dussafu license contained gross 1P Proved Reserves of 73.5 MMbbls in the Tortue, Ruche, Ruche North East and Hibiscus fields. Gross 2P Proved plus Probable Reserves amounted to 104.9 MMbbls in the same fields. Gross 3P Proved plus Probable plus Possible Reserves in these fields amounted to 134.8 MMbbls.

At year end Panoro's net working interest fraction of the gross Dussafu license reserves, before deduction of Government share of production and royalties, and assuming completion of the Tullow transaction to bring Panoro's working interest up to 17.5%, was 2P Proved plus Probable Reserves of 18.36 MMbbls with additional 2C unrisked Contingent Resources of 6.3 MMbbls.

Operations in Tunisia



Tunisia is an established oil and gas producing country with production since 1966. The country benefits from a low OPEX environment with significant presence from oil service providers in the region. Panoro has interests in two contiguous areas onshore and offshore the city of Sfax in the northern part of the Gulf of Gabes. These two areas are the Sfax Offshore Exploration Permit and the TPS Assets which are a collection of five producing fields.

TPS Assets

The TPS Assets comprise five oil field concessions in the region of the city of Sfax, onshore and shallow water offshore Tunisia. The concessions are Cercina, Cercina Sud, Rhemoura, El Ain/Gremda and El Hajeb/Guebiba.

The oil fields were discovered in the 1980's and early 1990's and have produced a total of around 57 million barrels of oil to date. The current gross production is stable and ranging between 4,500 and 5,000 barrels of oil per day. Approximately 50 wells have been drilled in the TPS fields to date, whilst some of these wells have been abandoned, 14 remain on production with 5 wells currently shut-in awaiting workovers or reactivation. Two wells are used for disposal of produced water. Production facilities consist of the various wellhead installations, connected via intra-field pipelines to processing, storage and transportation systems. Crude is transported to a storage and export terminal about 70 km south of the Assets at La Skhira.

The Group, through its subsidiary, Panoro Tunisia Production AS ("PTP"), indirectly owns a 49% interest in the fields and a 50% interest in the TPS operating company. The remaining interests are held by the Tunisian State Oil Company, ETAP. Panoro's net interest in TPS operations is 29.4%.

Production from the TPS assets amounted to 1.42 MMbbls gross, which is approximately 0.42 MMbbls net to Panoro's working interest share, an average annual gross rate of 3,890 bopd. Fourth quarter production rose to approximately 4,500 bopd average gross with rates being lifted by a series of drilling and workover operations during the third quarter. The current production is stable at around 4,700 barrels of oil per day gross.

After some COVID-19 related delays, drilling and workover activity resumed during the second and third quarters. The GUE-10AST side-track drilling operation brought into production the lower Bireno interval whilst a highly productive Douleb reservoir was drilled through and has the potential to be produced in the future. Multiple workover activities were performed during the third quarter: Electrical Submersible Pumps (ESPs) were replaced in the CER-2 and GUE-3 wells; a fishing operation at GUE-4 failed to fully retrieve a fish comprising a failed ESP and power cable; and a workover to install an ESP at GUE-5A failed to bring that well into production. Finally, replacement of a surface flowline at GUE-9 resulted in a significant boost to that well's production rates. This combined activity resulted in Panoro's 5,000 bopd gross production target being achieved during October, all of these operational activities were completed safely and without incident.

In March 2021 GCA certified (3rd party) reserves and resources from the fields as of end December 2020. These reserves amount to 1P Proved Reserves of 8.63 MMbbls, 2P Proved plus Probable Reserves of 15.08 MMbbls and 3P Proved plus Probable plus Possible reserves of 21.61 MMbbls. Panoro's net working interest 1P Proved reserves are 2.54 MMbbls, 2P Proved plus Probable are 4.43 MMbbls and 3P Proved plus Probable plus Possible are 6.35 MMbbls.

In addition to these reserves, GCA also certified gross 1C Contingent Resources of 1.6 MMbbls, 2C Contingent Resources of 5.3 MMbbls and 3C Contingent Resources of 10.0 MMbbls, all assigned to the Cercina oil field. Panoro's net working interest 1C Contingent Resource is 0.5 MMbbls, net working interest 2C Contingent Resource is 1.6 MMbbls and the net working interest 3C Contingent Resource is 2.9 MMbbls. These Reserves and Contingent Resources are Panoro's net volumes before deductions for royalties and other taxes.

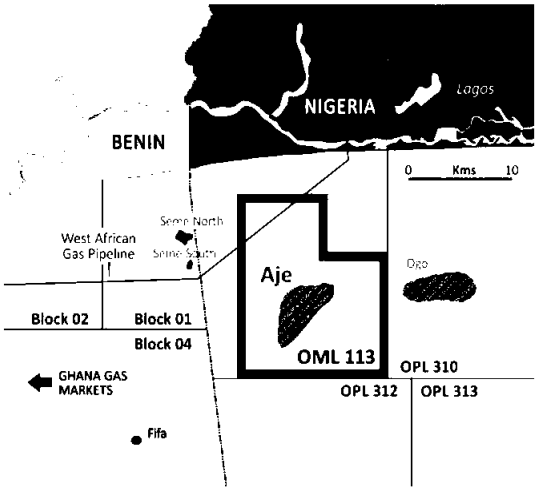
Sfax Offshore Exploration Permit

Panoro is the Operator of the Sfax Offshore Exploration Permit ("SOEP"), an exploration license offshore Tunisia in the northern part of the Gulf of Gabes. Panoro's current interest in the license is 52.5%. SOEP lies in the prolific oil and gas Cretaceous and Eocene carbonate platforms of the Pelagian Basin offshore Tunisia. In the vicinity of the Permit area are numerous existing producing fields with infrastructure and spare capacity in pipelines and facilities. There are three oil discoveries on the permit, Salloum, Ras El Besh, and Jawhara. In addition to these discoveries there is considerable exploration potential in the Permit, with unrisked gross estimates of 250 million barrels of prospective resources. Panoro also has a 52.5% interest in the Ras El Besh Concession which is within the area of the SOEP and contains the undeveloped Ras El Besh field.

Hammamet Offshore Exploration Permit

The Hammamet Offshore Exploration Permit expired in September 2018 and is in the process of being formally relinquished with anticipated associated costs of approximately USD 2 million (USD 1.2 million net to Panoro). The Group has a 27.6% working interest in this permit.

Operations in Nigeria (Held for sale)



Covering an area of 840 km^2, OML 113 is operated by Yinka Folawiyo Petroleum Limited and is located in the western part of offshore Nigeria, adjacent to the Benin border. The license contains the producing Aje field as well as a number of exploration prospects. The Aje field was discovered in 1996 in water depths ranging from 100-1,000 metres. Unlike the majority of Nigerian Fields which are productive from Tertiary age sandstones, Aje has multiple oil, gas and gas condensate reservoirs in the Turonian, Cenomanian and Albian age sandstones.

Production at the Aje field started in 2016 and the field currently has 2 wells on production, Aje-4 and Aje-5. Oil is processed, stored and exported at the Front Puffin FPSO via a subsea production system. These two wells comprise the first phase of the Aje field development project. During 2020 the Aje field produced a total of 110,000 barrels net to Panoro at an average rate of approximately 300 bopd net.

At year-end 2020, 2P Reserves net to Panoro's working interest related to OML 113, stood at 21.7 MMBOE and 2C Contingent Resources stood at 1.1 MMBOE.

Panoro announced in October 2019 that it had entered into a sale and purchase agreement with PetroNor E&P Limited ("PetroNor"), an exploration & production oil and gas company listed on the Oslo Axess, to divest all outstanding shares in its fully owned subsidiaries Pan-Petroleum Services Holding BV and Pan-Petroleum Nigeria Holding BV (together referred to as "Divested Subsidiaries") for an upfront consideration consisting of the allotment and issue of new PetroNor shares with a fixed value of USD 10 million (the "Share Consideration") plus a contingent consideration of up to USD 25 million based on future gas production volumes. PetroNor has an option to pay a portion of the Share Consideration in cash. The sale transaction is conditional upon execution and completion of the agreements between PetroNor and YFP, the authorisation of the Nigerian Department of Petroleum Resources and the consent of the Nigerian Minister of Petroleum Resources. Panoro's intention is to declare a special dividend and distribute the Share Consideration, to the extent received in shares, to its shareholders.

Legacy operations in Brazil (Discontinued)

In Brazil, as previously updated, termination agreements for the surrender of Coral and Cavalho Marinho licenses have been signed between the JV partners and Brazilian Regulator ANP. The next steps involve various regulatory clearances before dissolution of JV operations. The Company's formal exit from its historical Brazilian business is still ongoing with slow progress towards the approval of abandonment by the Brazilian regulators and resolution of pending historical corporate items including taxes. Management is working actively with advisors and where relevant, the operator Petrobras to bring matters to a close and to ensure that the ongoing costs are kept to a minimum. However, the timing and eventual costs of such conclusion is uncertain at this stage.

FINANCIAL REVIEW

The Accounts

The Board of Directors confirms that the annual financial statements have been prepared pursuant to the going concern assumption, in accordance with §3-3a of the Norwegian Accounting Act, and that this assumption was realistic as at the balance sheet date. The going concern assumption is based upon the financial position of the Company and the development plans currently in place. In the Board of Directors' view, the annual accounts give a true and fair view of the group's assets and liabilities, financial position and results. Panoro Energy ASA is the parent company of the Panoro Group. Its financial statements have been prepared on the assumption that Panoro Energy will continue as a going concern and realisation of assets and settlement of debt in normal operations.

Panoro's participation in its Tunisian assets is structured through a shareholder agreement with Beender Petroleum Tunisia Limited ("Beender"), whereby Panoro and Beender jointly own and control 60% and 40% respectively of Sfax Petroleum Corporation AS ("Sfax Corp"). Sfax Corp, through its subsidiaries, holds 100% shares of Panoro Tunisia Production AS ("PTP") and Panoro Tunisia Exploration AS ("PTE"). As such, all numbers and volume information relating to the Company's Tunisian operations and transactions represents the Company's 60% interest, unless otherwise stated.

In October 2019, the Company entered into an agreement to divest all its operations in Nigeria to PetroNor, thereby resulting in changes to presentation of the results, operations and assets and liabilities of the disposal group comprising of the Divested Subsidiaries. The results and operations of the Divested Subsidiaries have met the criteria of Discontinued Operations under IFRS 5 and have therefore been isolated and removed from "Continuing activities" and re-classified and presented as a separate line item "Discontinued Operations" in the statement of comprehensive income. Group comparatives for the periods presented, pertaining to Discontinued Operations, have also been re-classified in accordance with the accounting standards. Furthermore, assets and liabilities pertaining to the Divested Subsidiaries have also been isolated and presented in separate line items in the statement of financial position for years ended 31 December 2019 onwards. Details of assets and liabilities held for sale and the Discontinued Operations can be referred to in Note 12: Discontinued Operations and assets held for sale.

As of 31 December 2020, the Group had USD 15.6 million in cash and bank balances, including USD 10 million held for the SOEP guarantee, and debt of USD 21.5 million.

On 9 February 2021, the Company successfully completed a private placement of approximately NOK 593 million of new equity with the support of new and existing shareholders. A subsequent offering of new equity of NOK 85.25 million was completed on 16 March 2021. The net proceeds of the private placement and subsequent offering are to be mainly used to partially finance the acquisitions in Equatorial Guinea and Gabon announced on 9 February 2021, and for general corporate purposes. In March 2021, the Group has completed acquisition of Tullow Equatorial Guinea Limited for a cash consideration of USD 88.8 million paid on completion.

Panoro Energy ASA prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS), as provided for by the EU and the Norwegian Accounting Act. The consolidated accounts are presented in US dollars. The below analysis compares 2020 with 2019 figures:

FINANCIAL PERFORMANCE AND ACTIVITIES

Underlying profit/(loss) before tax from continuing operations

Underlying operating profit/(loss) before tax is considered by the Group to be a useful additional measure to help understand underlying operational performance. The foregoing analysis has also been performed including, on an adjusted basis, the underlying operating profit/(loss) before tax from continuing operations of the Group. A reconciliation with adjustments to arrive at the underlying operating profit/(loss) before tax from continuing operations is included in the table below

:USD 000	2020	2019
Net income/(loss) before tax - continuing operations	**2,308**	18,845
Share based payments	**897**	767
Acquisition and project related costs	**725**	1,106
Loss/(gain) on disposal of oil and gas assets	**-**	288
Impairment / (reversal) of impairment for Oil and gas assets	**-**	(8,145)
Unrealised (gain)/loss on commodity hedges	**(2,460)**	1,837
Underlying operating profit/(loss) before tax	**1,470**	**14,698**

Underlying operating profit/(loss) before tax is a supplemental non-GAAP financial measures used by management and external users of the Company's consolidated financial statements, such as industry analysts, investors, lenders and rating agencies. The Company defines underlying operating profit/(loss) before tax as Net income (loss) from continuing operations before tax adjusted for (i) Share based payment charges, (ii) unrealised (gain) loss on commodity hedges, (iii) (gain) loss on sale of oil and gas properties, (iv) impairments write-offs and reversals, and (v) similar other material items which management believes affect the comparability of operating results. We believe that underlying operating profit/(loss) before tax and other similar measures are useful to investors because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the oil and gas sector and will provide investors with a useful tool for assessing the comparability between periods, among securities analysts, as well as company by company. Because EBITDA and underlying operating profit/(loss) before tax excludes some, but not all, items that affect net income, these measures as presented by us may not be comparable to similarly titled measures of other companies.

Condensed Consolidated Income Statement

USD 000	2020	2019
Oil revenue	**24,167**	42,968
Other revenue	**2,689**	3,810
Total revenues	**26,856**	**46,778**
Expenses		
Operating costs	**(14,742)**	(15,211)
Exploration related costs and operator G&A	**(272)**	(134)
Acquisition and project related costs	**(725)**	(1,106)
General and administrative costs	**(5,075)**	(5,716)
EBITDA	**6,042**	**24,611**
Depreciation, depletion and amortisation	**(6,963)**	(6,979)
(Impairment) / reversal of impairment for Oil and gas assets	**-**	8,145
(Loss)/gain on disposal	**-**	(288)
Share based payments	**(897)**	(767)
EBIT	**(1,818)**	**24,722**
Net financial items	**4,126**	(5,877)
Profit / (loss) before income taxes	**2,308**	**18,845**
Income tax expense	**(4,503)**	(13,477)
Net profit/(loss) from continuing operations	**(2,195)**	**5,368**
Net income/(loss) from discontinued operations	**(3,138)**	4,822
Net profit/(loss) for the year	**(5,333)**	**10,190**

From a financial statements' perspective, the sale of the Group's asset in Nigeria, OML 113 Aje, is classified as "discontinued operations" and as such has been reported separately from the "continuing business activities" for both years presented.

Income statement

The discussion and analysis below represent the results from the Group's continuing operations in Tunisia and Gabon.

Panoro Energy reported an EBITDA of USD 6.0 million from continuing operations for the year ended 31 December 2020, compared to USD 24.6 million from continuing operations for the same period in 2019.

EBITDA includes oil revenue from sale of oil of USD 24.2 million from continuing operations for 2020 comprising of five liftings from Dussafu totalling USD 11.4 million (266,065 bbls) and nine liftings (three international and six domestic) from the Group's Tunisian portfolio making up the remaining revenue of USD 12.8 million (356,573 bbls). This compares to USD 43 million in 2019 comprising six liftings from Dussafu totalling USD 22.9 million (352,789 bbls); coupled with USD 20.1 million (338,255 bbls) from the Group's Tunisian portfolio comprising three international liftings and six smaller domestic liftings.

Under the terms of the Dussafu PSC, State profit oil is shown as revenue and amounted to USD 2.7 million (year ended 31 December 2019: USD 3.8 million). This is reflected in other revenue, with a corresponding amount shown as income tax (Note 6: Income tax).

Panoro Energy reported a net loss of USD 2.2 million from continuing operations for the year ended 31 December 2020, compared to net income of USD 5.4 million from continuing operations for the year ended 31 December 2019.

Exploration related costs for 2020 are USD 0.3 million compared to USD 0.1 million in 2019, all related to the Group's continuing operations.

G&A costs relating to continuing operations decreased from USD 5.7 million in 2019 to USD 5.1 million in 2020. The decrease in 2020 is a result of reduced activity levels due to the COVID-19 pandemic.

Depreciation, depletion and amortisation charge for the year for continuing operations of USD 7 million was in line with the USD 7 million in 2019.

There were no impairment charges or reversals for the year ended 31 December 2020. An impairment reversal of USD 8.1 million was recognised in 2019 relating to the Group's interest in the Dussafu permit, offshore Gabon, following a positive revision in economic evaluations which included an independent reserves upgrade.

Loss on disposal of assets during the year ended 31 December 2019 amounted to USD 0.3 resulting from a dilution of Panoro's share in the Dussafu permit following Tullow Oil Gabon SA exercising their right to back-in to the permit during December 2019. No disposal of assets occurred during 2020.

EBIT from continuing operations for 2020 was thus a negative USD 1.8 million compared to a positive USD 24.7 million in 2019.

Net financial items from continuing operations amount to an income of USD 4.1 million for 2020 compared to a loss of USD 5.9 million for 2019. Net financial items comprise interest on the Senior Secured loan facility of USD 1.2 million (2019: USD 1.5 million); interest on BW Energy Non-Recourse loan USD 0.5 million (2019: USD 1 million); unrealised gains on commodity hedges USD 2.5 million (2019: loss of USD 1.8 million); realised gain on commodity hedges of USD 4.5 million (2019: loss of USD 1 million); and foreign exchange loss of USD 0.4 million (2019: gain of USD 0.2 million). The remaining financial items represent interest on unwinding of decommissioning provision and unwinding of the discount on right of use asset under IFRS 16 (Note 20: Leases).

Profit before tax from continuing operations for 2020 was USD 2.3 million compared to USD 18.8 million for 2019.

Income taxes of USD 4.5 million in 2020 compared to USD 13.5 million in 2019. The tax charge for 2020 includes an estimated USD 2.7 million (2019: USD 3.8 million) representing State profit oil under the terms of the Dussafu PSC and USD 1.8 million (2019: USD 9.7 million) for taxes on profits for the Group's Tunisian Operations. The tax charge also includes USD 1.2 million (2019: USD 2 million) of deferred tax liability.

Net loss after tax from continuing operations for 2020 was therefore USD 5.3 million, compared to a net profit after tax of USD 10.2 million for 2019.

Statement of financial position

Non-current assets amount to USD 95.2 million at 31 December 2020, an increase of 8.6 million from USD 86.6 million at 31 December 2019, mainly a result of asset additions of USD 11.4 million and adjustment to asset retirement obligations of USD 4.2 million, offset by depreciation charge for the year of USD 7 million for continuing operations.

Current assets amount to USD 33.8 million as of 31 December 2020, compared to USD 45 million at 31 December 2019. Crude inventory increased from USD 0.4 million at 31 December 2019 to USD 1.7 million at 31 December 2020. Materials inventory was USD 4.3 million at 31 December 2020, compared to USD 4.8 million at 31 December 2019.

Trade and other receivables at 31 December 2020 are USD 10.9 million, an increase of USD 1.5 million from USD 9.4 million at 31 December 2019. The increase is mainly due to an increase in the overfund position of joint venture accounts of USD 2.7 million offset by reductions in uncollected proceeds from oil sales of USD 2 million with the remaining USD 0.8 million movement due to short term receivable items.

At 31 December 2020, the fair value of commodity hedges was positive and was all current based on maturity, resulting in a current asset of USD 1.4 million at 31 December 2020. This compares to current and non-current liability positions in 2019 of USD 1 million and USD 0.1 million respectively.

The Group is committed to an obligation of drilling one well on SOEP in Tunisia. At the request of the Tunisian authorities to demonstrate financial capacity, the Group has issued a bank guarantee against which a deposit of USD 10 million (net to Panoro) was placed in January 2019 and is included within current assets at 31 December 2020 and 2019.

Cash and cash equivalents stood at USD 5.7 million, compared to USD 20.5 million at 31 December 2019. The net outflow of USD 14.8 million was mainly a result of investment in exploration and production assets of USD 14 million, loan and borrowing cost repayments of USD 5.5 million and cash cost of RSU settlements of USD 0.8 million, offset by realised gains on commodity hedges of USD 4.5 million, net cash inflow from operations of USD 1 million. During 2019, key inflows of cash and cash equivalents included additional funding from Mercuria in June, USD 2.5 million and proceeds of NOK 149 million (USD 16 million) from a private placement in October 2019. Outflows included investments in the Group's oil and gas assets of USD 11.6 million and cash outflow relating to financing activities including interest on loans and borrowings of USD 2.1 million.

Equity as at 31 December 2020 amounts to USD 67.9 million compared to USD 72.7 million at the end of December 2019.

Total non-current liabilities are USD 44.3 million as at 31 December 2020 compared to USD 43.9 million at 31 December 2019.

Decommissioning liability increased from USD 18.9 million in 2019 to USD 21.5 million, reflecting the year's unwinding of discount of USD 1 million and adjustment to asset retirement obligations of USD 1.5 million.

Non-current portion of the Mercuria Senior Secured facility decreased from USD 13.1 million at 31 December 2019 to USD 9.7 million at 31 December 2020 as a result of four repayments of principal during the year amounting to USD 4.8 million offset by accumulation of interest. For further details, refer to Note 5: Finance income, interest expense and other charges.

On an overall basis, BW Energy non-recourse loan balance reduced from USD 8.1 million at 31 December 2019 to USD 7.2 million at 31 December 2020. The non-current portion of the loan reduced by USD 0.3 million during the current year, from USD 3.4 million to USD 3.1 million. The change in maturity profile at 31 December 2020 is a result of anticipated acceleration in repayments, and improvement in production and forward-looking oil price assumptions.

Total licence obligations and estimated contingent consideration was unchanged between the two balance sheet dates presented at USD 5.9 million, of which USD 4.7 is deemed non-current and USD 1.2 million as current. The licence obligations and deferred consideration were acquired by the Group as part of the acquisition of SOEP from DNO in July 2018.

Other non-current liabilities were USD 2.2 million at 31 December 2020 compared to USD 1.7 million at 31 December 2019. Non-current liabilities at 31 December 2020 comprise USD 1.8 million of provision for long term employment benefits for TPS employees (31 December 2019: USD 1.2 million) and USD 0.4 million of IFRS 16 lease liability described in Note 20: Leases.

Non-current liabilities at 31 December 2020 also include USD 3.2 million of deferred tax liabilities relating the Group's Tunisian assets (31 December 2019: USD 2 million) and the non-current portion of fair value of hedge instruments amounting to USD nil million (31 December 2019 USD 0.1 million).

Current liabilities amounted to USD 18.2 million at 31 December 2020 compared to USD 19.5 million at 31 December 2019, a decrease of USD 1.3 million.

USD 4.1 million reflects the current portion of the BW Energy non-recourse loan including accrued interest (31 December 2019: USD 4.7 million), USD 4.3 million is the current portion of the Mercuria Senior Loan facility (31 December 2019: USD 3.8 million) and USD 1.3 million of corporation tax liabilities in Tunisia (31 December 2019: USD 5 million).

Accruals and other payables amounted to USD 6 million at 31 December 2020, an increase of USD 4.4 million from the 31 December 2019 balance of USD 1.6 million. The increase is primarily due to higher balances of outstanding cash calls for the group's TPS assets as at 31 December 2020.

Other current liabilities were USD 1.3 million at 31 December 2020, compared to USD 2.3 million at 31 December 2019. USD 0.1 million represents overlift liability for Dussafu; USD 1 million represents the Groups share of anticipated costs associated with relinquishment of the Hammamet licence; and USD 0.2 million represents the current portion of lease liabilities (Note 21).

Cash flows

Net cash inflow from operating activities amounted to USD 0.5 million in 2020 (31 December 2019: USD 12.3 million), the reduction reflecting the low oil prices caused by the COVID-19 pandemic.

Net cash flow from investing activities was an outflow of USD 13.8 million comprising of investment in oil and gas assets. This compares to an outflow of USD 13.4 million in 2019, USD 12.9 million relating to investment in oil and gas assets and USD 0.5 million related to certain completion costs for the 2018 Tunisian acquisitions.

Net cash flow from financing activities was an outflow of USD 1.5 million in 2020 (2019: USD 1.8 million). The outflow was a result of debt and borrowing cost repayments of USD 5.5 million, RSU settlements USD 0.3 million and lease liability payments of USD 0.2 million. This was offset by realised gains on commodity hedges of USD 4.5 million. Net cash flow from financing activities during 2019 was an outflow of USD 1.8 million, represented by a cash inflow of USD 16.2 million of gross proceeds from equity placement and USD 2.5 million of proceeds from loans and borrowings, offset by a cash outflow USD 7.4 million relating to debt repayment and USD 10 million deposited against a bank guarantee in support of the SOEP licence in Tunisia.

Cash and cash equivalents were therefore USD 5.7 million, excluding USD 10 million held for the SOEP guarantee compared to USD 20.5 million at 31 December 2019.

ALLOCATION OF PROFITS AND LOSSES

Parent company financial information

USD 000	2020	2019
Total revenues	-	-
Operating expenses		
General and administrative costs	(1,281)	(720)
Impairment of investment in subsidiary	(45)	(190)
Provision for doubtful receivables*	(173)	-
Total operating expenses	**(1,499)**	**(910)**
Earnings before interest and tax (EBIT)	(1,499)	(910)
Net interest and financial items	10,910	10,375
Profit/(loss) before taxes	**9,411**	**9,465**
Income tax benefit / (expense)	-	-
Net profit/(loss) attributable to equity holders	**9,411**	**9,465**

*Provision for doubtful receivables owed from loans provided to subsidiaries. See Note 7: Provision for doubtful receivables in the Parent Company Financial Statements.

Distributable equity and coverage of profit/(loss) in Panoro Energy ASA

The Board of Directors proposes that the profit for the year of USD 9.4 million in the parent company be transferred to other equity.

FUNDING

The Company on a consolidated basis, closed the year with a cash position of USD 15.6 million, including USD 10 million held for the SOEP guarantee, and debt of USD 21.5 million.

No shares were issued during the year ended 31 December 2020, but subsequent to year-end on 10 February 2021, the Company successfully completed a private placement of USD 70 million (approximately NOK 593 million) of new equity with the support of new and existing shareholders.

The Company also entered into an acquisition loan facility on 29 March 2021 with Trafigura for funding of up to USD 90 million against which USD 55 million has been draw-down.

The net proceeds of the share issue and acquisition loan facility drawdowns will be used for general corporate purposes and to fund the acquisitions in Equatorial Guinea and Gabon as described below in Note 23: Events subsequent to reporting date.

Looking ahead, the Company through its group companies, is committed to complete a drilling obligation of one well on SOEP in Tunisia, in addition to the Dussafu Capex and consideration payments upon completion of recently announced acquisitions.

PRINCIPAL RISKS AND UNCERTAINITIES

Risks relating to the oil and gas industry

The Group's, results of operations, cash flow and financial condition depend significantly on the level of oil and gas prices and market expectations to these, and may be adversely affected by volatile oil and gas prices and by the general global economic and financial market situation

The Group's profitability is determined, in large part, by the difference between the income received from the oil and gas produced and the operational costs, taxation costs, as well as costs incurred in transporting and selling the oil and gas. Lower prices for oil and gas may thus reduce the amount of oil and gas that the Group is able to produce economically. This may also reduce the economic viability of the production levels of specific wells or of projects planned or in development to the extent that production costs exceed anticipated revenue from such production.

The economics of producing from some wells and assets may also result in a reduction in the volumes of the Group's reserves. The Group might also elect not to produce from certain wells at lower prices. These factors could result in a material decrease in net production revenue, causing a reduction in oil and gas acquisition and development activities. In addition, certain development projects could become unprofitable because of a decline in price and could result in the Group having to postpone or cancel a planned project, or if it is not possible to cancel the project, carry out the project with negative economic impact.

In addition, a prolonged material decline in prices from historical average prices could reduce the Group's ability to refinance its outstanding credit facilities and could result in a reduced borrowing base under credit facilities available to the Group, including the Senior Secured loan facility in place. Changes in the oil and gas prices may thus adversely affect the Group's business, results of operations, cash flow, financial condition and prospects.

The Company is operating a commodity hedging program to strategically hedge a portion of its 2P oil reserves to protect against a fall in oil prices and consequently, to protect the Group's ability to service its debt obligations and to fund operations including planned capital expenditure. The hedging program continues to be closely monitored and adjusted according to the Group's risk management policies and cashflow requirements. The Group continues to monitor and optimise its hedging programme on an on-going basis. Also see Note 18, Financial instruments.

Exploration, development and production operations involve numerous safety and environmental risks and hazards that may result in material losses or additional expenditures

Developing oil and gas resources and reserves into commercial production involves risk. The Group's exploration operations are subject to all the risks common in the oil and gas industry. These risks include, but are not limited to, encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, natural gas or well fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure. Given the nature of offshore operations, the Group's exploration, operating and drilling facilities are also subject to the hazards inherent in marine operations, such as capsizing, sinking, grounding and damage from severe storms or other severe weather conditions, as well as loss of containment, fires or explosions.

The market in which the Group operates is highly competitive

The oil and gas industry is very competitive and rapidly changing. Competition is particularly intense in the acquisition of (prospective) oil and gas licenses. The Group's competitive position depends on its geological, geophysical and engineering expertise, financial resources, the ability to develop its assets and the ability to select, acquire, and develop proven reserves.

Risks relating to the business of the Group

Risk relating to the outbreak of pandemics, including the ongoing COVID-19 pandemic

The ongoing COVID-19 pandemic has created uncertainty on all aspects of the operations and financial position of the Group, and has made countries and organisations, including the Group, take measures to mitigate risk for communities, employees and business operations.

Despite oil prices partially recovering from lows in April 2020, they remained volatile throughout 2020 and made it challenging to predict the full extent and duration of resulting operational and economic impact for the Company and the Group, which makes key assumptions applied in the valuation of the Group's assets

and measurement of its liabilities difficult. Although the 2020 impact of the COVID-19 pandemic was limited in countries in which the Group operates and the Group's production were relatively unaffected, there can be no assurances that the Group's operations will continue without major interruptions arising from outbreaks of pandemics in the future.

Risk associated with delay and completion of OML 113 Aje Transaction

Panoro announced the sale of its interest in OML 113 to PetroNor in October 2019 (the "Aje Transaction"). Completion of Aje Transaction is subject to regulatory approvals in Nigeria which may be delayed following disruptions caused by the current macro environment. Furthermore, like any other transaction, there is an implicit risk around when or if the Aje Transaction would complete with the longstop date recently revised to 30 June 2021. In the event that the Aje Transaction is not completed, it may result in a risk of reassessment of recoverable amount of the OML 113 assets and re-evaluation of the designation of the related assets and liabilities as held-for-sale and the results and operations as discontinued items.

Developing a hydrocarbon production field requires significant investment

The Group currently plans to be involved in developments in its oil and gas licences. Developing a hydrocarbon production field requires significant investment over a long period of time, to build the requisite operating facilities, drilling of production wells along with implementation of advanced technologies for the extraction and exploitation of hydrocarbons with complex properties. Making these investments and implementing these technologies, normally under difficult conditions, can result in uncertainties about the amount of investment necessary, operating costs and additional expenses incurred as compared with the initial budget, thereby negatively affecting the business, prospects, financial condition and results of operations of the Group.

Further, with respect to contingent resources, the amount of investment needed may be prohibitive, such that conversion of resources into reserves may not be commercially viable. The Group may be unable to obtain needed capital or financing on satisfactory terms. If the Group's revenues decrease, it may have limited ability to obtain the capital necessary to sustain operations at current levels. If the Group's available cash is not sufficient to fund its committed or planned investments, a curtailment of its operations relating to development of its business prospects could occur, which in turn could lead to a decline in its oil and natural gas production and reserves, or if it is not possible to cancel or stop a project, be legally obliged to carry out the project contrary to its desire or with negative economic impact. Further, the Group may inter alia fail to make required cash calls and thus breach license obligations, which again could lead to adverse consequences. All of the above may have a material adverse effect on the Group and its financial position.

There are risks and uncertainties relating to extension of existing licenses and permits, including whether any extensions will be subject to onerous conditions

The Group's license interests for the exploration and exploitation of hydrocarbons will be subject to fixed terms, some of which will expire before the economic life of the asset is over. For example, the licences relating to the interest in five oil production concessions in Tunisia may expire prior to the end of their economic life, and uncertainty surrounding the renewal of SOEP which requires an exploration well to be drilled prior to entering into the next operation phase.

The Group plans to extend any permit or license where such extension is in the best interest of the Group. However, the process for obtaining such extensions is not certain and no assurances can be given that an extension in fact will be possible. Even if an extension is granted, such extension may only be given on conditions which are onerous or not acceptable to the Group.

If any of the licenses expire, the Group may lose its investments into the license, charged penalties relating to unfulfilled work program obligations (such as at Hammamet in Tunisia) and forego the opportunity to take part in any successful development of, and future production from, the relevant license area, which could have a material adverse effect on the Group's financial position and future prospects.

Local authorities may impose additional financial or work commitments beyond those currently contemplated

The Group's license interests for the exploration and exploitation of hydrocarbons will typically be subject to certain financial obligations or work commitments as imposed by local authorities. The existence and content of such obligations and commitments may affect the economic and commercial attractiveness for such license interest. No assurance can be given that local authorities do not unilaterally amend current and known obligations and commitments. If such amendments are made in the future, the value and commercial and economic viability of such interest could be materially reduced or even lost, in which case the Group's financial position and future prospects could also be materially weakened.

Oil and gas production could vary significantly from reported reserves and resources

The Group's reserve evaluations have been prepared in accordance with existing guidelines. These evaluations include many assumptions relating to factors such as initial production rates, recovery rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of oil and gas, operating costs, and royalties and other government levies that may be imposed over the producing life of the reserves and resources. Actual production and cash flows will vary from these evaluations, and such variations could be material. Hence, although the Group understands the life expectancy of each of its assets, the life of an asset may be shorter than anticipated. Among other things, evaluations are based, in part, on the assumed success of exploration activities intended to be undertaken in future years. The reserves, resources and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploration activities do not achieve the level of success assumed in the evaluations, and such reductions may have a material adverse effect on the Group's business, results of operations, cash flow and financial condition.

The Company faces risks related to decommissioning activities and related costs

Several of the Group's license interests concern fields which have been in operation for years and which, consequently, will have equipment which from time to time will have to be decommissioned. In addition, the Group plans and expects to take part in developments and investments on existing and new fields, which will increase the Group's future decommissioning liabilities.

There are significant uncertainties relating to the estimated liabilities, costs and time for decommissioning of the Group's current and future licenses. Such liabilities are derived from legislative and regulatory requirements and require the Group to make provisions for such liabilities.

Therefore, it is difficult to forecast accurately the costs that the Group will incur in satisfying decommissioning liabilities. No assurance can be given that the anticipated cost and timing of removal are correct and any deviation from current estimates or significant increase in decommissioning costs relating to the Group's previous, current or future licenses, may have a material adverse effect on the Group.

The Group may be subject to liability under environmental laws and regulations

All phases of oil and gas activities present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and national laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, and releases or emissions of various substances. The legislation also requires that wells and facility sites are operated, maintained and abandoned to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties in addition to loss of reputation. Any pollution may give rise to material liabilities and may require the Group to incur material costs to remedy such discharge. No assurance can be given that current or future environmental laws and regulations will not result in a curtailment or shut down of production or a material increase in the costs of production, development or exploration activities or otherwise have a material adverse effect on the Group.

The Group's business and financial condition could be adversely affected if tax regulations for the petroleum industry are amended

There is no assurance that future political conditions will not result in the host governments adopting different policies for petroleum taxation. In the event there are changes to such tax regimes, it could lead to new investments being less attractive, increase costs for the Group and prevent the Group from further growth. In addition, taxing authorities could review and question the Group's historical tax returns leading to additional taxes and tax penalties which could be material.

The Group faces the risk of litigation or other proceedings in relation to its business

The Group faces the risk of litigation and other proceedings in relation to its business. The outcome of any litigation may expose the Group to unexpected costs and losses, reputational and other non-financial consequences and diverting management attention away from operational matters, all of which could have a material adverse effect on the Group's business and financial position.

The Group will have guarantee and indemnity obligations

The Group will in its ordinary course of business provide guarantees and indemnities to governmental agencies, joint venture partners or third-party contractors in respect of activities relating to its subsidiaries, inter alia for such subsidiaries working and abandonment obligations under licences or obligations under the relevant terms of agreements with third party contractors. Should any guarantees or indemnities given by the Company be called upon, this may have a material adverse effect on the Group's financial position.

Financial risks

Financial risk is managed by the finance department in line with the policies approved by the Board of Directors. The overall risk management program seeks to minimise the potential adverse effects of unpredictable fluctuations in financial and commodity markets on financial performance, i.e., risks associated with currency and interest rate exposures, debt servicing and oil and gas prices. Financial instruments such as derivatives, forward contracts and currency and commodity swaps are continuously being evaluated for the hedging of such risk exposures.

Risks associated with foreign exchange risk, including CEMAC foreign exchange regulations

In December 2018, the International Monetary Fund ("IMF") and the Central Africa Economic and Monetary Commission ("CEMAC") renewed the provisions, originally introduced in 2000 but previously enforced to a limited extent, of foreign currency controls in the CEMAC area which, inter alia, included provisions regarding repatriation of foreign currency from sale of in the local currency, Central African Francs (CFA), and controls on access to foreign currency. Commercial banks are now enforcing these provisions to a wider extent which require special approvals on the opening of new and the operation of existing foreign currency accounts outside of the CEMAC area where such accounts are utilised to receive proceeds of the sale of oil which may be granted for a period of up to a two years and subject to renewals, also for opening foreign currency accounts in the CEMAC area, prohibition of foreign currency withdrawals inside CEMAC area, requirements for all loans to be declared with the local central bank and there is a risk of forced conversion to CFA of funds held in USD in so-called "abandonment fund reserve" accounts (RES accounts).

The Group's operations in Gabon and Equatorial Guinea (following the Acquisitions – see Note 23: Events subsequent to reporting date) are, in principle, covered by the restrictions, but in Gabon the Group has so far not suffered any significant impact from the restrictions. However, if the foreign currency restrictions were to be imposed on and enforced against the Group, this could restrict the Group's ability to repatriate earnings from the operations at effected countries, pay dividends from subsidiaries and repay or refinance any future loan facilities, which would entail extensive documentation and fee requirements and increased administrative burdens on the Group's operations.

Existing debt is restrictive on the Group and the Group may have difficulties servicing debt in the future

The Group has incurred and may in the future incur debt or other financial obligations which could have important consequences to its business including, but not limited to:

- making it difficult to satisfy the Group's obligations with respect to such indebtedness,
- increasing the Group's vulnerability to, and reducing its flexibility to respond to, general adverse economic and industry conditions,
- requiring the dedication of a substantial portion of the Group's cash flow from operations to the repayment of the principal of its indebtedness and interest on such indebtedness, thereby reducing the availability of such cash flow,

- limiting the Group's ability to obtain additional financing to fund working capital, capital investments, acquisitions, debt service requirements, business ventures, or other general corporate purposes,
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and the competitive environment and the industry in which the Group does business; and
- adversely affecting the Group's competitive position if its debt burden is higher than that of its competitors.

The Group will require a significant amount of cash to service current and future debt and sustain its operations, and its ability to generate sufficient cash depends on many factors beyond its control

The Group's ability to make payments on, or repay or refinance, any debt and to fund working capital and capital investments, will depend on its future operating performance and ability to generate sufficient cash. This depends on the success of its business strategy and on general economic, financial, competitive, market, legislative, regulatory, technical and other factors as well as the risks discussed in these "Risk Factors", many of which are beyond the Group's control. The Group cannot assure that its business will generate sufficient cash flow from operations or that future debt and equity financings will be available to it in an amount sufficient to enable it to pay its debt, or to fund its other liquidity needs. The Group cannot give assurance that it will be able to refinance any debt on commercially reasonable terms or at all. Any failure by the Group to make payments on debt on a timely basis would likely result in a reduction of its credit rating, which could also harm its ability to incur additional indebtedness. There can be no assurance that any assets that the Group may elect to sell can be sold or that, if sold, the timing of such sale will be acceptable, and the amount of proceeds realised will be sufficient to satisfy its debt service and other liquidity needs.

If the Group is unsuccessful in any of these efforts, it may not have sufficient cash to meet its obligations, which could cause an event of default under any debt arrangements and could result in the debt being accelerated, lending reserves and certain bank accounts being frozen, triggering of cross-default provisions, enforcement of security and the companies of the Group, including the Group being forced into bankruptcy or liquidation.

The Group is exposed to interest rate and liquidity risk associated with its borrowing portfolio and fluctuations in underlying interest rates

The Group's long-term debt is primarily based on floating interest rates. An increase in interest rates can therefore materially adversely affect the Group's cash flows, operating results and financial condition and make it difficult to service its financial obligations. The Group has, and will in the future have, covenants related to its financial commitments. Failure to comply with financial obligations, financial covenants and other covenants may entail several material adverse consequences, including the need to refinance, restructure, or dispose of certain parts of, the Group's businesses in order to fulfil the financial obligations and there can be no assurances that the Group in such event will be able to fulfil its financial obligations.

Changes in foreign exchange rates may affect the company's results of operations and financial position

Due to the international nature of its operations, the Group is exposed market fluctuations in foreign exchange rates due to the fact that the Group reports profit and loss and the balance sheet in US Dollars (USD). The risks arising from currency exposure are primarily with respect to USD, the Norwegian Kroner (NOK), the Tunisian Dinar (TND), the Pound Sterling (GBP) and, to a lesser extent, Brazilian Reals (BRL).

The company is exposed to risk of counterparties being unable to fulfil their financial obligations

A general downturn in financial markets and economic activity may result in a higher volume of late payments and outstanding receivables, which may in turn adversely affect the company's business, operating results, cash flows and financial condition.

For risk factors pertaining to the Company and its operations, reference is also made to the prospectus dated 5 March 2021 which is available on the Group's website www.panoroenergy.com.

CORPORATE GOVERNANCE

Panoro's corporate governance policy is based on the recommendations of the Norwegian Code of Practice for Corporate Governance. The main objective for Panoro Energy ASA's Corporate Governance is to develop a strong, sustainable, competitive and a successful E&P company acting in the best interest of all the stakeholders, within the laws and regulations of the respective countries. The Board and management aim for a controlled and profitable development and long-term creation of growth through well-founded governance principles and risk management.

Panoro Energy acknowledges that successful value-added business is profoundly dependent upon transparency and internal and external confidence and trust. Panoro Energy believes that this is achieved by building a solid reputation based on our financial performance, our values and by fulfilling our commitments. Thus, good corporate governance practices combined with Panoro Energy's Code of Conduct is an important tool in assisting the Board to ensure that we properly discharge our duty.

The composition of the Board ensures that the Board represents the common interests of all shareholders and meets the Company's need for expertise, experience, capacity and diversity. The members of the Board represent a broad range of experience including oil and gas, energy, banking and investment. The composition of the Board ensures that it can operate independently of any special interests. Members of the Board are elected for a maximum period of two years. However, in the last election, the Board was appointed for one year. Recruitment of members of the Board may be phased so that the entire Board is not replaced at the same time. The Chairman of the Board of Directors is elected by the General Meeting.

The Board may be given power of attorney by the General Meeting to acquire the Company's own shares. Any acquisition of shares will be carried out through a regulated marketplace at market price, and the Company will not deviate from the principle of equal treatment of all shareholders. If there is limited liquidity in the Company's share at the time of such transaction, the Company will consider other ways to ensure equal treatment of all shareholders. The Company currently holds shareholder authorisation approved in the 2020 Annual General Meeting to acquire its own shares to a maximum of NOK 344,000 of share capital equivalent to 6,880,000 shares, each with a Nominal value of NOK 0.05. From the current year's authorisation, which is due

to expire prior to the 2021 Annual General Meeting, the Company has not purchased any shares.

The Board may also be given a power of attorney by the General Meeting to issue new shares for specific purposes. Any decision to deviate from the principle of equal treatment by waiving the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital will be justified and disclosed in the stock exchange announcement of the increase in share capital. Such deviation will be made only if it is in the common interest of the shareholders and the Company.

The Company has not granted any loans or guarantees to anyone in the management or any of the directors.

The Board acknowledges the Norwegian Code of Practice for Corporate Governance and the principle of comply or explain. Panoro Energy has implemented this Code and uses its guidelines as the basis for the Board's governance duties. A report on the corporate governance policy is incorporated in a separate section of this report and is also posted on the Company's website at www.panoroenergy.com.

The Company has implemented a policy for Ethical Code of Conduct and work diligently to comply with these guidelines. The full policy is enclosed in this annual report (see section Corporate Social Responsibility/ Ethical Code of Conduct).

DIRECTORS AND SHAREHOLDERS

According to its articles of association, the Company shall have a minimum of three and a maximum of eight directors on its Board. The number of Board members was five at year end 2019 and 2020, all non-executive directors. The members have various backgrounds and experience, offering the Company valuable perspectives on industrial, operational and financial issues. Two of the five Board members as at year end 2019 are female. The Board held eight meetings during the year which includes meetings held through circulation of documents and by phone calls (year ended 31 December 2019: nine meetings).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REVIEW

Panoro have a commitment to operate responsibly wherever we work in the world and to engage with our stakeholders to manage the social and environmental impact of our activities in the different markets in which we operate. Our culture focuses on high ethical standards, professionalism, respect, honesty, transparency, loyalty and trust throughout all levels of the organisation. The Company, bound by its Code of Conduct, is committed to acting in a transparent manner and expect the same of our host governments, partners, employees, contractors, and customers.

The information incorporated within this ESG review is the result of the Company's continued engagement with internal and external stakeholders and is informed by the reporting guidelines of the Global Reporting Initiative, IPIECA, SASB and Euronext.

Approach to ESG risk management

Panoro's organisational structures, Code of Conduct, standards and culture together form a system of internal control that governs how we manage associated risks. Our risk management system is designed to be a consistent and clear tool for managing and reporting risks from the group's operations to management and to the board on a quarterly basis.

Panoro's Enterprise-Wide Risk Management (EWRM) process was established to provide a common approach and methodology to mitigating and managing risks and is based on recognised risk management principles used by the oil and gas industry. Panoro is committed to effectively managing all aspects of risk for the business to reduce any negative effect to as low as reasonably practicable (ALARP). All staff and contractors working for Panoro have a role in identifying, assessing and managing risks within the Company. The Company's Health, Safety, Security, Environment (HSSE) Policy demonstrates a commitment to identify, assess and manage HSSE Risks. The Board is responsible in deciding what level of risk (tolerability) is acceptable for the business. They will also review strategic risks and on a quarterly basis review the top ten risks as documented in the Risk Register. The board's focus is on providing an oversight of risk mitigation strategies for the top ten risks and considering if adequate risk mitigation plans are in place.

We believe that communication is key. Day to day risk management seeks to promote safe, compliant and reliable operations. Our standards take into account applicable laws and regulations, and help to reduce risk and deliver safe, compliant and reliable operations as well as greater efficiencies. TPS are required to report safety and environmental incidents on an urgency dictated by their significance, whilst daily production reports with Health, Safety and Environmental highlights are provided from Dussafu. In addition, routine conversations allow deeper probing and understanding of any potential issues that arise.

Panoro operates in relatively challenging jurisdictions in the world and acknowledges that ethical, sustainable and responsible operating policies and practices must be of a high standard. It is therefore critical that each and every one of us always keeps in mind how we behave and how we conduct our business. We shall at all times strive to exercise good judgment, care and consideration in our sincere intention to obtain the best possible result for all parties involved.

Our Code of Conduct (which can be found on our website at www.panoroenergy.com/investors/corporate-governance/code-of-conduct/) explains, in general terms, the ethical standards we request in all our business behaviour, attitude and performance, and shall reflect as well as promote our core values and promises in our actions towards colleagues, business partners and the society at large.

Stakeholder Engagement and Issues Management

Panoro is committed to operating responsibly and to engaging with its stakeholders to manage the social, environmental and ethical impact of its activities in the different markets in which we operate. We treat stakeholders fairly and respectfully by adhering to high standards of governance, business conduct and corporate responsibility.

Panoro conducted a desktop issues assessment in conjunction with speaking to its stakeholders through the course of its operating activities. Throughout this ESG review, Panoro addresses the management of these priorities and refines its scope to the following priorities going forward.

Stakeholders	Priorities
Employees	• Workplace Health and Safety • Training and Development • Remuneration • Job Security • Equal opportunities employer • Diversity and inclusion
Shareholders	• Governance • Climate Change • Financial Performance • ESG Performance • Board remuneration • Risk management
Local Communities	• Social Investments • Community Health • Environmental Management • Local Content • Employment Opportunities
Joint Venture Partners	• Technical Expertise • Governance • Ethical Business Practices • Financial Health
Suppliers	• Governance • Funding • Local supplier development • Operational integrity • Human Rights
Media	• Climate Change • Governance • Environmental Stewardship
Capital Markets Advisors	• Regulatory Compliance • Governance
Government and Regulatory Agencies	• Regulatory Compliance • Taxes and Royalties • Environmental Management • Socio-economic Contribution • Ethics and integrity

Health and Safety

Over the past year, health and safety has gained a new meaning. A rapid response to COVID-19 across our asset base meant that we could work closely with our partners to tackle any issues that might arise due to COVID-19. At TPS, we had seven active cases of COVID-19 up to December 2020, we adopted a number of measures to protect the health of our employees and contractors in the operational and administrative areas. The initiatives seek to contribute to efforts to mitigate the risks of the virus. The quality of our people and the resilience of the business meant that disturbances to strategic and operational progress were minimal as evidenced in our successful acquisition which we completed this year.

We are continuing to keep a watchful eye over our health and safety performance and throughout 2021 we will continue to invest in it using the industry expertise of our new colleagues and that of our established partners to continue driving improvements.

We operate in a manner that helps protect our employees, contractors, customers and the communities in which we operate. As the Company continues to grow and evolve from non-operator to operator the focus has naturally expanded and strengthened, we have 27 Panoro employees, not including TPS joint-operated staff. Sickness absence in 2020 was less than 0.2%. At year end, our companywide Total Recordable Injury Rate (TRIR) was 1.27.

At our operations in TPS, Panoro and ETAP's approach to safety includes identifying possible risks, implementing measures to prevent potential incidents, and educating employees and contractors about best practice safety measures. The addition of two new Panoro staff taking the secondee roles of Development Manager and Deputy General Manager at TPS has made significant improvements to the business, both operationally and culturally.

Road safety awareness and safe driving are of utmost importance to us. Whether delivering equipment to projects or travelling to meetings, we work hard to keep all our drivers safe around the world. In 2020, we implemented a program for safe driving at our operations in TPS. This includes Journey Management Plans, vehicle tracking and monitoring of driver performance (including speed). At Panoro Tunis, we have engaged a contractor to handle the Tunis-Sfax road trip and ensure we have good quality drivers and vehicles.

During 2021 and when COVID-19 permits, we will be running a top-down safety improvement initiative led by Du Pont as well as a bottom-up exercise to assist safe working practices of the operational teams, ultimately furthering the enhancement of our HSE culture within the asset.

Contractor Management

Our business success depends on how well we manage those who work on our behalf. All staff and contractors working for Panoro have a vital role in identifying, assessing and managing risks within the Company. At our operations in TPS, we have more than 20 contractor companies, and if necessary, Panoro will seek additional information to satisfy itself that third parties share the same values and will perform to similar safety standards.

Diversity and Inclusion

Panoro is an equal opportunity employer and has enshrined this within its policies. The Company embraces a diversified working environment, and the Company's personnel policies promote equal opportunities and rights and prevent discrimination based on gender, ethnicity, colour, language, religion or belief. Panoro's Code of Conduct (COC) which can be found at www.panoroenergy.com/investors/corporate-governance/code-of-conduct/ establishes the general guidelines to be observed to meet Panoro's culture, which focuses on high ethical standards, professionalism, respect, honesty, transparency, loyalty and trust throughout all levels of the organisation.

Panoro had 25 permanent employees at the end of 2020 of which 68% were male and 32% were female. These statistics exclude employments at a joint venture level where assets are jointly controlled and Panoro is not the operator.

Joint Venture Partner Management

Across our assets, we work alongside other recognised industry partners as both an operator and non-operator. In both of these scenarios, we have an active and vocal participation in seeking to exert a positive influence over our partners and offer support. It is also the responsibility of the team to question, challenge and test the capabilities of the operator to ensure that the highest standards are being met, and to regularly analyse the operating, safety and environmental performance of the joint venture.

The Panoro team has a long history of contributing significant technical expertise to influence developmental work. We meet with our partners on a quarterly basis to ensure our ambitions are aligned and we provide a safe operating environment. Our Code of Conduct outlines the human rights commitments applicable to our people, as well as our Joint Venture partners.

We approach due diligence with the knowledge and excellent experience of the oil and gas industry and conduct a thorough screening of any potential partners which includes analysis of the ESG risks.

Ethical Behaviour

Panoro's Code of Conduct details our responsibility to our broad stakeholders including shareholders, customers, employees, partners and communities. We have a zero-tolerance approach to unethical conduct.

Panoro is committed to acting professionally, fairly, and with integrity in all business dealings and relationships, in whatever country we operate. All employees are encouraged to notify in accordance with our whistle-blowing procedure.

The majority of Panoro's workforce comprises of skilled office-based roles, who have earned college or university level educations, or obtained industry-recognised skills and qualifications specific to their job requirements. Employees are remunerated exclusively based upon skill level, performance and position.

Working with Host Governments

We recognise the importance of having open and transparent relationships with government authorities in the countries in which we operate. We maintain good working relationships keeping them informed of our activities, ongoing projects and key concerns as well as engaging on a wide range of policy and regulatory compliance.

Payments to Governments are based on three main aspects, royalties on production, tax and the Domestic Market Obligation (DMO) discount. Contractually, these payments may be made in cash or in barrels of oil. Other payments are related to services and dependent on the activity.

Within Tunisia, we comply with strict labour and social security laws, which includes a maximum of 48 working hours per week. We maintain an ongoing dialogue between the Company and the unions.

Panoro Energy has prepared a report of payments to governments in accordance with the Norwegian Accounting Act 3-3d and Securities Trading Act 5-5a. It states that the companies engaged in the activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. This report is provided on page 91 of this Annual Report.

Environmental Management

Panoro takes environmental management very seriously and is committed to managing the environmental impact of its activities. Environmental data is now being gathered for TPS and is informing work plans and budgets for the years ahead.

In the context of a transition to a low carbon economy, we are in the process of developing an environmental policy and at an executive level, we plan to identify, understand and assess Panoro's emissions footprint to develop plans that mitigate our impact and outline opportunities to reduce emissions from established baselines.

As a partner in the TPS operated assets and operator for the Sfax Offshore Exploration Permit, the Company places great emphasis on conducting its business activities to the highest environmental standards in order to deliver upon its business objectives.

Through our EWRM, we identify high priority issues which we communicate to the Board enabling us to drive our focus of minimising our environmental impact. During 2021, Panoro will seek to establish a longer-term emissions target based on industry standards, our ambition is to reduce flaring across our assets and use the gas effectively.

We have started to identify the projects that are required to accelerate our environmental management and successfully resolve general production and maintenance issues on tanks, vessels and pipe works which includes cleaning, inspection, repair painting and other upgrade work.

Process Safety

Process safety involves making sure facilities are well designed, safely operated and appropriately maintained to prevent leaks of hazardous materials. We aim to eliminate injuries and the most serious process safety events. We carefully plan our operations, with the aim of identifying potential hazards and having rigorous operating and maintenance practices to manage risks at every stage.

Over the course of the year, we have been working to ensure the production system is managed and monitored to prevent any leaks and executed an intelligent pigging exercise on the offshore pipeline, in order to check its integrity. We are continuing to engage with third parties and currently expect intelligent pigging of all the asset's pipelines to be completed by end 2022. We also reviewed the current status of corrosion on facilities and determined solutions to address these issues.

TPS employ a dedicated Process Safety Engineer and management have monthly meetings to track process safety actions. We are confident in the management by TPS of the monitoring of the condition of onshore and offshore pipelines. TPS completed an external process safety audit by Risktec from Aberdeen during 2019. Actions developed out of this audit are now being implemented. The goal is to improve the asset's facilities and working conditions, thereby maximising production and profitability.

Energy Transition

Panoro recognises and understands the risks posed by climate change and the need for the energy transition to achieve the goals of the Paris Agreement. We recognise our role in the energy transition with regards to Africa to ensure positive socioeconomic development while the continent transitions at a more gradual rate.

The Company manages its operations to reduce any potential negative impacts upon the environment and is committed to reducing its greenhouse gas (GHG) emissions through the efficient operation of our existing equipment and infrastructure. This includes minimising flaring and energy use where possible and making investment decisions in balance with our broad stakeholder audience in mind.

All freshwater consumed by the Company is for corporate activity not operational. Water consumed goes back into public water infrastructure cycle.

We baseline our data against IOGP standards and continue to do so to help inform decision making and investment into existing and potential future assets. Our focus is to understand our performance and plan activities to improve.

Engaging with Communities

Understanding and addressing the interests of societies and communities is an important component of maintaining a successful business. Our approach is to engage with our neighbours, community leaders, non-governmental organisations and charities with respect and dignity to understand the implications of our activities and changes in the industry and wider society.

Our aim is to support local companies' growth and expand their participation in the local economy, to generate local value for people and communities. We always strive to source from companies locally, for example, in 2020, 75% of our spending was devoted to local suppliers.

Through BW Energy, we contribute to local projects including renovations at schools and the University Omar Bongo and have proposed a commitment of USD 1 million over 2 to 3 years to increase community investments.

Throughout 2021, we will be focusing our attention on working with TPS and an NGO on a transparency program within the areas in which we operate. We will be updating progress in the next Annual Report.

Management

The management of the Company is led by CEO John Hamilton, who has ultimate responsibility for all of Panoro's HSSE and sustainability activities. John has considerable experience from various positions in the international oil and gas industry. The CEO is supported by CFO, Qazi Qadeer, Technical Director, Richard Morton, and Projects Director, Nigel McKim.

The composition of the Board ensures that the Board represents the common interests of all shareholders and meets the Company's need for expertise, capacity, and diversity. The members of the Board represent a wide range of experience including offshore, energy, banking, and investment.

OUTLOOK

The outlook for our industry has changed dramatically in the past year. Despite these changes, Panoro has transformed in this period and is now well established as a diversified, full cycle oil company with a committed Board of Directors, balance sheet strength, and its strategy will ensure that the Company is well placed once macro conditions improve.

The Board wishes to thank the staff and shareholders for their continued commitment to the Company.

30 April 2021
The Board of Directors
Panoro Energy ASA

Chairman of the Board	Deputy Chairman of the Board	Non-Executive Director
Non-Executive Director	Non-Executive Director	Chief Executive Officer

INTRODUCTION

Panoro's classification of reserves and resources complies with the guidelines established by the Oslo Stock Exchange and are based on the definitions set by the Petroleum Resources Management System (PRMS), sponsored by the Society of Petroleum Engineers/ World Petroleum Council/ American Association of Petroleum Geologists/ Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) as issued in June 2018.

Reserves are the volume of hydrocarbons that are expected to be produced from known accumulations:

- On Production
- Approved for Development
- Justified for Development

Reserves are also classified according to the associated risks and probability that the reserves will be actually produced.

1P – Proved reserves represent volumes that will be recovered with 90% probability

2P – Proved + Probable represent volumes that will be recovered with 50% probability

3P – Proved + Probable + Possible volumes that will be recovered with 10% probability.

Contingent Resources are the volumes of hydrocarbons expected to be produced from known accumulations:

- In planning phase
- Where development is likely
- Where development is unlikely with present basic assumptions
- Under evaluation

Contingent Resources are reported as 1C, 2C, and 3C, reflecting similar probabilities as reserves

DISCLAIMER

The information provided in this report reflects reservoir assessments, which in general must be recognised as subjective processes of estimating hydrocarbon volumes that cannot be measured in an exact way.

It should also be recognised that results of recent and future drilling, testing, production and new technology applications may justify revisions that could be material.

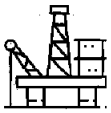
Certain assumptions on the future beyond Panoro's control have been made. These include assumptions made regarding market variations affecting both product prices and investment levels. As a result, actual developments may deviate materially from what is stated in this report.

The estimates in this report are based on third party assessments prepared by Netherland Sewell and Associates Inc. (NSAI) in March 2021 for Dussafu and by Gaffney Cline & Associates Limited (GCA) in March 2021 for the TPS assets.

PANORO ASSETS PORTFOLIO

The Panoro portfolio reported here for year end 2020 is considered to comprise two assets with continuing operations with reserves and contingent resources, these are: the Dussafu Permit and the TPS Assets. The Aje field is held for sale and is not included in this report. A summary description of these assets with status as of year-end 2020 is included below. For additional background information on the assets, refer to the company's website. Unless otherwise specified, all reserves figures quoted in this report are net to Panoro's working interest.

DUSSAFU:



Offshore Gabon

Operator:

BW Energy, Panoro 7.4997%

Dussafu is a development and exploitation licence covering an area containing several oil fields, the most recent discovery being the Hibiscus field. In 2014 an Exclusive Exploitation Authorisation (EEA) for an 850.5 km^2 area within the Dussafu PSC was awarded. A Field Development Plan for the EEA area was subsequently approved and a final decision to start developing the licence was taken in 2017. The first field in the EEA area, Tortue, started oil production in 2018. The second set of fields, Ruche, Hibiscus and Ruche North East is scheduled to start oil production by the end of 2022.

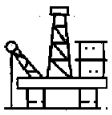
Production from the Tortue field during 2020 amounted to 5.2 MMbbls gross.

In February 2021 NSAI certified (3rd party) reserves and resources for the Dussafu licence. As of the end of December 2020, the Dussafu licence contained gross 1P Proved Reserves of 73.5 MMbbls in the Tortue, Ruche, Ruche North East and Hibiscus fields. Gross 2P Proved plus Probable Reserves amounted to 104.9 MMbbls in the same fields. Gross 3P Proved plus Probable plus Possible Reserves in these fields amounted to 134.8 MMbbls.

In addition to these Reserves NSAI also certified gross 1C Contingent Resources of 15.6 MMbbls, gross 2C Contingent Resources of 36.2 MMbbls, and gross 3C Contingent Resources of 65.0 MMbbls in the Dussafu licence area.

These evaluations yield the following Reserves net to Panoro's working interest of 7.5%. 1P Proved Reserves of 5.51 MMbbls, 2P Proved plus Probable Reserves of 7.87 MMbbls and 3P Proved plus Probable plus Possible Reserves of 10.11 MMbbls. Additional unrisked Contingent Resources net to Panoro's working interest of 7.5% are approximately 1.2 MMbbls 1C, 2.7 MMbbls 2C and 4.9 MMbbls 3C. These Reserves and Contingent Resources are Panoro's net working interest volumes before deductions for royalties and other taxes.

TPS ASSETS:



Onshore and Offshore Tunisia

Operator:

TPS, Panoro 29.4%

The TPS Assets comprise five oil field concessions in the region of the city of Sfax, onshore and shallow water offshore Tunisia. The concessions are Cercina, Cercina Sud, Rhemoura, El Ain/Gremda and El Hajeb/Guebiba.

The oil fields were discovered in the 1980's and early 1990's and have produced a total of around 56 million barrels of oil to date. The current production is stable at around 4,700 barrels of oil per day gross.

Production from the TPS assets amounted to 1.42 MMbbls gross, which is approximately 0.42 MMbbls net to Panoro's working interest share.

In March 2021 GCA certified (3rd party) reserves and resources from the fields as of end December 2020. These reserves amount to 1P Proved Reserves of 8.63 MMbbls, 2P Proved plus Probable Reserves of 15.08 MMbbls and 3P Proved plus Probable plus Possible reserves of 21.61 MMbbls. Panoro's net working interest 1P Proved reserves are 2.54 MMbbls, 2P Proved plus Probable are 4.43 MMbbls and 3P Proved plus Probable plus Possible are 6.35 MMbbls.

In addition to these reserves, GCA also certified gross 1C Contingent Resources of 1.6 MMbbls, 2C Contingent Resources of 5.3 MMbbls and 3C Contingent Resources of 10.0 MMbbls, all assigned to the Cercina oil field. Panoro's net working interest 1C Contingent Resource is 0.5 MMbbls, net working interest 2C Contingent Resource is 1.6 MMbbls and net working interest 3C Contingent Resource is 2.9 MMbbls. These Reserves and Contingent Resources are Panoro's net volumes before deductions for royalties and other taxes.

MANAGEMENT DISCUSSION AND ANALYSIS

Panoro uses the services of NSAI and GCA for third party verifications of its reserves and resources.

All evaluations are based on standard industry practice and methodology for production decline analysis and reservoir modelling based on geological and geophysical analysis. The following discussions are a comparison of the volumes reported in previous reports, along with a discussion of the consequences for the year-end 2020 ASR:

Dussafu: In 2020, the Tortue field continued production from four wells. An additional two production wells, postponed for operational reasons in 2020, are to be brought on to production in 2021. The next development phase, consisting of the development of the Ruche and Hibiscus fields, has commenced and is expected to start production by year end 2022. The NSAI reserves report takes these field development plans into account and assumes production from a total of 6 development wells in Tortue, and from a total of 12 wells in Hibiscus/Ruche phase 1 and phase 2. A minor revision was made to the Dussafu reserves to account for the delays experienced in executing the projects in 2020.

The remaining fields in Dussafu (Walt Whitman and Moubenga) and extensions to the other fields are classified as Contingent Resources. A decision to develop these fields will trigger a re-assignment of these resources as reserves and a possible re-determination of their volumes.

TPS: Minor modifications were made to TPS reserves based on 2020 well performance. There are Contingent Resources associated with the Cercina field in the TPS assets. These resources may be re-assigned as reserves if a development decision is taken to drill certain un-drilled compartments within the Cercina field.

ASSUMPTIONS:

The commerciality and economic tests for the Dussafu reserves volumes were based on an average oil price over the field life of USD71/Bbl.

The commerciality and economic tests for the TPS assets reserves volumes were based on an average oil price over the life of the field of USD64/Bbl.

2020 – 2P DEVELOPMENT (WORKING INTEREST)

2P Reserves Development	(MMBOE)
Balance (previous ASR –31 December 2019)	13.4
Production 2020	(0.8)
Revisions of previous estimates	(0.2)
Balance (revised ASR) as of 31 December 2020	**12.3**

Panoro's total 1P working interest reserves at end of 2020 amount to 8.05 MMbbls. Panoro's 2P reserves amount to 12.30 MMbbls and Panoro's 3P reserves amount to 16.46 MMbbls.

Panoro's Contingent Resource base includes discoveries of varying degrees of maturity towards development decisions. By end of 2020, Panoro's assets contained a total un-risked 2C working interest volume of approximately 4.3 MMbbls.

30 April 2021

John Hamilton

CEO

AS OF 31 DECEMBER 2020

		1P (Low Estimate)				2P (Base Estimate)				3P (High Estimate)			
		Liquids	Gas	Total	Net	Liquids	Gas	Total	Net	Liquids	Gas	Total	Net
	Interest %	MMbbls	Bcf	MMBOE	MMBOE	MMbbls	Bcf	MMBOE	MMBOE	MMbbls	Bcf	MMBOE	MMBOE
Tortue Field	7.5	20.87	-	20.87	1.57	30.51	-	30.51	2.29	38.41	-	38.41	2.88
TPS Fields	29.4	8.63	-	8.63	2.54	15.08	-	15.08	4.43	21.61	-	21.61	6.35
Total		**29.50**	**-**	**29.50**	**4.11**	**45.59**	**-**	**45.59**	**6.72**	**60.02**	**-**	**60.02**	**9.23**
Hibiscus/Ruche	7.5	52.58	-	52.58	3.94	74.42	-	74.42	5.58	96.41	-	96.41	7.23
Total		**52.58**	**-**	**52.58**	**3.94**	**74.42**	**-**	**74.42**	**5.58**	**96.41**	**-**	**96.41**	**7.23**
Total Reserves		**82.09**	**-**	**82.09**	**8.05**	**120.01**	**-**	**120.01**	**12.30**	**156.43**	**-**	**156.43**	**16.46**

RESERVES DEVELOPMENT

2P Reserves Development	(MMBOE)
Balance (previous ASR – 31 December 2019)	13.4
Production 2020[1]	(0.8)
Revisions of previous estimates[2]	(0.2)
Balance (revised ASR) as of 31 December 2020	**12.3**

1. Represents TPS and Tortue field production in 2020

2. Revision to TPS Assets and Dussafu reserves estimates

CONTINGENT RESOURCES SUMMARY

Asset	2C MMBOE (as of YE2019)	2C MMBOE (as of this report)
Dussafu	2.7	2.7
Cercina	1.6	1.6
Totals	**4.3**	**4.3**

SUPPLEMENTARY INFORMATION ON ACQUISITIONS

In February 2021 Panoro announced the acquisition of 14.25% working interest in Block G in Equatorial Guinea and an additional 10% working interest in the Dussafu Marin Permit in Gabon. The acquisition of Block G was completed in March 2021 and the acquisition of the additional 10% working interest in Dussafu is pending completion.

Had the acquisitions completed on 31 December 2020, the reserves position of Panoro would have been as follows:

		1P (Low Estimate)				2P (Base Estimate)				3P (High Estimate)			
		Liquids	Gas	Total	Net	Liquids	Gas	Total	Net	Liquids	Gas	Total	Net
	Interest %	MMbbls	Bcf	MMBOE	MMBOE	MMbbls	Bcf	MMBOE	MMBOE	MMbbls	Bcf	MMBOE	MMBOE
Tortue Field	17.50	20.87	-	20.87	3.65	30.51	-	30.51	5.34	38.41	-	38.41	6.72
TPS Fields	29.40	8.63	-	8.63	2.54	15.08	-	15.08	4.43	21.61	-	21.61	6.35
Block G	14.25	29.74	-	29.74	4.24	58.62	-	58.62	8.35	92.34	-	92.34	13.16
Total		**59.24**	**-**	**59.24**	**10.43**	**104.22**	**-**	**104.22**	**18.12**	**152.37**	**-**	**152.37**	**26.24**
Hibiscus/Ruche	17.50	52.58	-	52.58	9.20	74.42	-	74.42	13.02	96.41	-	96.41	16.87
Block G	14.25	6.77	-	6.77	0.96	14.52	-	14.62	2.07	23.36	-	23.36	3.33
Total		**59.35**	**-**	**59.35**	**10.16**	**88.94**	**-**	**89.04**	**15.09**	**119.77**	**-**	**119.77**	**20.20**
Block G	14.25	6.32	-	6.32	0.90	20.72	-	20.72	2.95	36.15	-	36.15	5.15
Total		**6.32**	**-**	**6.32**	**0.90**	**20.72**	**-**	**20.72**	**2.95**	**36.15**	**-**	**36.15**	**5.15**
Total Reserves		**124.92**	**-**	**124.92**	**21.49**	**213.87**	**-**	**213.97**	**36.17**	**308.28**	**-**	**308.28**	**51.59**

RESERVES DEVELOPMENT

2P Reserves Development	(MMBOE)
Balance (previous ASR – 31 December 2019)	13.4
Production 2020[1]	(0.8)
Acquisitions/disposals since previous ASR[2]	23.9
Revisions of previous estimates[3]	(0.2)
Balance (revised ASR) as of 31 December 2020	**36.2**

1. Represents TPS and Tortue field production in 2020
2. Acquisition of Block G, Equatorial Guinea and 10% interest in Dussafu PSC in 2021
3. Revision to TPS Assets and Dussafu reserves estimates

CONTINGENT RESOURCES SUMMARY

Asset	2C MMBOE (as of YE2019)	2C MMBOE (as of this report)
Dussafu	2.7	6.3
Cercina	1.6	1.6
Block G	-	25.6
Totals	**4.3**	**33.5**

BOARD OF DIRECTORS

JULIEN BALKANY

Chairman of the Board

Mr. Balkany is a French citizen and a resident in London, who since 2014 has been Chairman of the Norwegian oil & gas exploration and production company Panoro Energy ASA. Alongside this, since 2008, Mr. Balkany also serves as a Managing Partner of Nanes Balkany Partners, a group of investment funds that focuses on the oil & gas industry. Concomitantly, he is also Non-Executive Director of Amromco Energy, the largest privately held independent gas producer in Romania as well as the private mining company, Pan-African Diamonds Limited. Mr. Balkany was previously a Non-Executive Director of several publicly listed oil & gas companies including Norwegian Energy Company (Noreco), Gasfrac Energy Services and Toreador Resources. He was also on the Board of Sarmin Bauxite Ltd, another private mining company, until its sale to Lindian Resources. Mr. Balkany started his career as an oil and gas investment banker and studied at the Institute of Political Studies (Strasbourg) and at UC Berkeley.

TORSTEIN SANNESS

Deputy Chairman of the Board

Mr. Torstein Sanness is a Norwegian Citizen residing in Norway, who serves as the Company's Deputy Chairman of the Board of Directors. Mr. Sanness has served as a board member since 2015. He has extensive experience and technical expertise in the oil and gas industry. Mr. Sanness became the Chairman of Lundin Petroleum Norway in April 2015. Prior to this position Mr. Sanness was Managing Director of Lundin Petroleum Norway from 2004 to April 2015. Under his leadership Lundin Norway has turned into one of the most successful players on the NCS and added net discovered resources of close to a billion boe to its portfolio through the discoveries of among others E. Grieg and Johan Sverdrup. Before joining Lundin Norway Mr. Sanness was Managing Director of Det Norske Oljeselskap AS (wholly owned by DNO at the time) and was instrumental in the discoveries of Alvheim, Volund and others. From 1975 to 2000, Mr. Sanness was at Saga Petroleum until its sale to Norsk Hydro and Statoil, where he held several executive positions in Norway as well as in the US. Currently, Mr. Sanness is serving as Board member of International Petroleum Corp. (a Lundin Group E&P company with a portfolio of assets in Canada, Europe and South East Asia), Executive Chairman of Magnora ASA (a company managing certain royalty rights and licence arrangements) with a renewable energy strategy and TGS (the world's largest geoscience data company). Mr. Sanness is a graduate of the Norwegian Institute of Technology in Trondheim where he obtained a Master of Engineering (geology, geophysics, and mining engineering). Mr. Sanness is also the Chairman of the Board of Magnora ASA.

ALEXANDRA HERGER

Non-Executive Director

Ms. Alexandra (Alex) Herger, a US citizen based in Maine, has extensive senior leadership and board experience in worldwide exploration and production for international oil and gas companies. Ms. Herger has 40 years of global experience in the energy industry, currently serving as an Independent director for Tortoise Capital Advisors, CEFs, based in Kansas, Tethys Oil based in Sweden, the nomination committee for PGS, based in Norway, as well as Panoro Energy. Her most recent leadership experience was as interim Vice President for Marathon Oil Company until her retirement in July 2014. Prior to this position, Ms. Herger was Director of International Exploration and New Ventures for Marathon Oil Company from 2008 –2014, where she led five new country entries and was responsible for adding net discovered resources of over 500 million boe to the Marathon portfolio. Ms. Herger was at Shell International and Shell USA from 2002-2008, holding positions as Exploration Manager for the Gulf of Mexico, Manager of Technical Assurance for the Western Hemisphere, and Global E & P Technical Assurance Consultant. Prior to the Shell / Enterprise Oil acquisition in 2002, Ms. Herger was Vice President of Exploration for the Gulf of Mexico for Enterprise Oil, responsible for the addition of multiple giant deep-water discoveries. Earlier, Ms. Herger held positions of increasing responsibility in oil and gas exploration and production, operations, and planning with Hess Corporation and ExxonMobil Corporation. Ms. Herger holds a Bachelor's Degree in Geology from Ohio Wesleyan University and post-graduate studies in Geology from the University of Houston.

GARRETT SODEN

Non-Executive Director

Mr. Garrett Soden has worked with the Lundin Group for more than a decade and has extensive experience as a senior executive and board member of various public companies in the natural resources sector. Mr. Soden is currently President and CEO of Africa Energy Corp., a Canadian oil and gas exploration company focused on South Africa. He is also a Non-Executive Director of Gulf Keystone Petroleum Ltd. Mr. Soden holds a BSc honours degree from the London School of Economics and an MBA from Columbia Business School.

HILDE ÅDLAND

Non-Executive Director

Ms. Hilde Ådland is a Norwegian citizen and has extensive technical experience in the oil and gas industry. She has leadership experience in field development, engineering, commissioning, and field operations. Ms. Ådland is currently Maintenance & Logistics Manager in Vår Energi. Ms. Ådland held several senior positions in Gas de France/GDF SUEZ/ENGIE/Neptune including Head of Operation and Asset manager for the operated Gjøa field during her 11 years in the company. She also spent 11 years with Statoil (now Equinor) in a number of senior engineering and operational roles, including Offshore Installation Manager at the Kristin field, and 6 years with Kvaerner. She has been active in the Norwegian Oil and Gas association and, in the period from autumn 2015 to spring 2019, has also been the chairman of the Operation Committee. She has a Bachelor's degree in chemical engineering and a Master's degree in process engineering. She is also board member of Magnora ASA.

SENIOR MANAGEMENT

JOHN HAMILTON — Chief Executive Officer

John Hamilton, Chief Executive Officer (CEO), has considerable experience from various positions in the international oil and gas industry. Most recently, John was Chief Executive Officer of UK AIM listed President Energy PLC, a Latin American focused exploration company, which opened up a new onshore basin in Paraguay. Before joining President, John was Managing Director of Levine Capital Management, an oil and gas investment fund. He was also Chief Financial Officer of UK FTSE 250 listed Imperial Energy PLC, until its sale for over USD2 billion in 2008. John also spent 15 years with ABN AMRO Bank in Europe, Africa, and the Middle East. The majority of his time with ABN AMRO was spent in the energy group, with a principal focus on financing upstream oil and gas. John is also a member of the Board of Magnora ASA. John has a BA from Hamilton College in New York, and an MBA from the Rotterdam School of Management and New York University. He is a British citizen and resides in London, UK.

QAZI QADEER — Chief Financial Officer

Qazi Qadeer, Chief Financial Officer (CFO), is a Chartered Accountant with a Fellow membership of Institute of Chartered Accountants of Pakistan. Qazi joined Panoro at its inception in 2010 as Group Finance Controller. Previously he has worked for PricewaterhouseCoopers in Karachi, Pakistan and briefly served as Internal audit manager in Pak-Arab Refinery before relocating to London, where he then spent more than five years with Ernst & Young's energy and extractive industry assurance practice, working on various projects for large and small oil & gas and mining companies. He has worked on several high-profile projects including the divestment of BP plc's chemicals business in 2005 and IPO of Gem Diamonds Limited in 2006. He is a British citizen and resides in London, UK.

RICHARD MORTON — Technical Director

Richard Morton, Technical Director, has 30 years of experience in exploration, production, development and management in the oil and gas industry. Originally a highly qualified geophysicist, he has expanded his portfolio of skills progressively into operational and asset management. He has worked in a number of challenging contracting and operating environments, including as Centrica Energy's Exploration Manager for Nigeria. He has been with Panoro Energy since 2008 with responsibilities for project and technical management of Panoro's African exploration and development assets. Richard obtained a B.Sc. in Physics from Essex University in 1989 and went on to complete a M.Sc. in Applied Geophysics from the University of Birmingham the following year. He is a British citizen and resides in London, UK.

NIGEL MCKIM — Projects Director

Nigel McKim, Projects Director, has over 30 years of experience in field development planning and production in the oil and gas industry. His most recent roles were as Chief Operations Officer for UK AIM listed MX Oil and, prior to that, the privately held Nobel Upstream. In both companies he was responsible for the technical capabilities and management of assets in Nigeria and Mexico in the former case and Texas, the UK and Azerbaijan in the latter. Prior to Nobel Upstream, he held the position of Director Pre-Developments for Hess, based in London and with global responsibilities for appraisal and early field development planning in Hess' conventional oil and gas business. Previously he was employed as West Africa Asset Manager at Vitol, Subsurface Manager for Business Development activities and the Liverpool Bay Project at BHP Billiton and started in the industry working as a Reservoir Engineer for Shell International in Oman and The Netherlands and as an Operations Engineer in Gabon. Nigel holds a BSc (Hons) in Civil Engineering from Bristol University and an MSc in Petroleum Engineering from Imperial College London, he is a Chartered Engineer. He is a British citizen and resides in London, UK. .

FOR THE YEAR ENDED 31 DECEMBER

Amounts in USD 000, unless otherwise stated	Note	2020	2019
Oil revenue	3	**24,167**	42,968
Other revenue	3	**2,689**	3,810
Total revenues		**26,856**	**46,778**
Operating expenses			
Operating costs		**(14,742)**	(15,211)
Exploration related costs and operator G&A		**(272)**	(134)
General and administrative costs	4	**(5,075)**	(5,716)
(Impairment) / reversal of impairment for Oil and gas assets	9	**-**	8,145
Depreciation, depletion and amortisation	8, 9	**(6,963)**	(6,979)
Acquisition and project related costs	4	**(725)**	(1,106)
Share based payments	16	**(897)**	(767)
Total operating expenses		**(28,674)**	**(21,768)**
Operating profit / (loss)		**(1,818)**	**25,010**
Net foreign exchange gain / (loss)		**(366)**	215
Unrealised gain/(loss) on commodity hedges	5	**2,460**	(1,837)
Realised gain/(loss) on commodity hedges	5	**4,522**	(980)
(Loss)/gain on disposal	8	**-**	(288)
Interest income	5	**59**	38
Interest costs	5	**(1,696)**	(2,534)
Other financial costs	5	**(853)**	(779)
Profit / (loss) before income taxes		**2,308**	**18,845**
Income tax expense	6	**(4,503)**	(13,477)
Net profit/(loss) from continuing operations		**(2,195)**	**5,368**
Net income/(loss) from discontinued operations	12	**(3,138)**	4,822
Net profit/(loss) for the year		**(5,333)**	**10,190**
Exchange differences arising from translation of foreign operations		**-**	-
Other comprehensive income/(loss) for the year (net of tax)		**-**	-
Total comprehensive income/(loss)		**(5,333)**	**10,190**
Equity holders of the parent		**(5,333)**	10,190
Equity holders of the parent		**(5,333)**	10,190
Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Total	7	**(0.08)**	0.16
Basic and diluted EPS on profit/(loss) for the period attributable to equity holders of the parent (USD) - Continuing operations	7	**(0.03)**	0.08

The annexed notes form an integral part of these financial statements.

AS AT 31 DECEMBER

USD 000	Note	2020	2019
Non-current assets			
Production rights	8	**26,475**	28,876
Licenses and exploration assets	8	**21,070**	19,760
Fair value of derivative financial instruments	17	-	-
Investment in associates and joint ventures		**26**	26
Production assets and equipment	9	**32,303**	30,979
Development assets	8	**14,522**	5,915
Property, furniture, fixtures and office equipment	9	**640**	948
Other non-current assets		**135**	131
Total Non-current assets		**95,171**	**86,635**
Current assets			
Crude Oil Inventory		**1,666**	358
Materials Inventory		**4,254**	4,773
Trade and other receivables	10	**10,857**	9,372
Fair value of derivative financial instruments - current portion	17	**1,380**	-
Cash and cash equivalents	11	**5,674**	20,493
Cash held for Bank guarantee	11	**9,960**	9,960
Total current assets		**33,791**	**44,956**
Assets classified as held for sale	12	**20,445**	20,925
Total Assets		**149,407**	**152,516**

AS AT 31 DECEMBER

USD 000	Note	2020	2019
Equity			
Share capital	14	**459**	458
Share premium	14	**349,446**	349,193
Additional paid-in capital		**122,465**	122,131
Total paid-in equity		**472,370**	**471,782**
Other reserves	14	**(43,408)**	(43,408)
Retained earnings		**(361,017)**	(355,683)
Total equity attributable to shareholders of the parent		**67,945**	**72,691**
Non-current liabilities			
Decommissioning liability	13	**21,464**	18,911
Senior Secured Loan	5	**9,660**	13,091
Non-Recourse Loan	5	**3,078**	3,380
Licence Obligations		**4,726**	4,726
Fair value of derivative financial instruments	17	**-**	106
Other non-current liabilities	15	**2,172**	1,708
Deferred tax liabilities	6	**3,217**	2,024
Total Non-current liabilities		**44,317**	**43,946**
Accounts payable, accruals and other liabilities	15	**6,020**	1,555
Senior Secured Loan - current portion	5	**4,322**	3,797
Non-Recourse Loan - current portion	5	**4,133**	4,729
Licence Obligations - current portion		**1,166**	1,166
Fair value of derivative financial instruments - current portion	17	**-**	974
Other current liabilities	15	**1,291**	2,292
Corporation tax liability	6	**1,302**	4,991
Total current liabilities		**18,234**	**19,504**
Liabilities directly associated with assets classified as held for sale	12	**18,911**	16,375
Total Equity and Liabilities		**149,407**	**152,516**

The annexed notes form an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER

	Attributable to equity holders of the parent						
USD 000	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2020	**458**	**349,193**	**122,131**	**(355,683)**	**(37,647)**	**(5,761)**	**72,691**
Net income/(loss) for the period - continuing operations	-	-	-	(2,195)	-	-	(2,195)
Net income/(loss) for the period - discontinued operations	-	-	-	(3,139)	-	-	(3,139)
Total comprehensive income/(loss)	**-**	**-**	**-**	**(5,334)**	**-**	**-**	**(5,334)**
Share issue under RSU plan	1	253	-	-	-	-	254
Employee share options charge/(benefit)	-	-	897	-	-	-	897
Settlement of RSUs	-	-	(563)	-	-	-	(563)
At 31 December 2020	**459**	**349,446**	**122,465**	**(361,017)**	**(37,647)**	**(5,761)**	**67,945**

	Attributable to equity holders of the parent						
USD 000	Issued capital	Share premium	Additional paid-in capital	Retained earnings	Other reserves	Currency translation reserve	Total
At 1 January 2019	**423**	**333,090**	**122,079**	**(365,873)**	**(37,647)**	**(5,761)**	**46,311**
Net income/(loss) for the period - continuing operations	-	-	-	5,368	-	-	5,368
Net income/(loss) for the period - discontinued operations	-	-	-	4,822	-	-	4,822
Total comprehensive income/(loss)	**-**	**-**	**-**	**10,190**	**-**	**-**	**10,190**
Share issue for cash - private placement	34	16,205	-	-	-	-	16,239
Transaction costs on share issue	-	(435)	-	-	-	-	(435)
Share issue under RSU plan	1	333	-	-	-	-	334
Employee share options charge/(benefit)	-	-	767	-	-	-	767
Settlement of RSUs	-	-	(715)	-	-	-	(715)
At 31 December 2019	**458**	**349,193**	**122,131**	**(355,683)**	**(37,647)**	**(5,761)**	**72,691**

The annexed notes form an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER

USD 000	Note	2020	2019
Net (loss)/income for the period before tax - continuing operations		2,308	18,845
Net (loss)/income for the period before tax - discontinued operations		(3,138)	4,822
Net (loss)/income for the period before tax		**(830)**	**23,667**
Depreciation	4	6,963	9,990
Exploration related costs and Operator G&A		272	134
Impairment and asset write-off/(impairment reversal)	9.2	-	(16,145)
Loss/(gain) on commodity hedges	17	(6,982)	2,817
Net finance costs		2,490	3,820
Share-based payments	16	897	767
Foreign exchange loss/(gain)		(130)	(215)
Increase/(decrease) in trade and other payables		4,616	1,810
(Increase)/decrease in trade and other receivables		460	(1,986)
(Increase)/decrease in inventories		(307)	(84)
State share of profit oil	3	(2,689)	(3,810)
Taxes paid		(4,310)	(8,456)
Net cash (out)/inflow from operations		**450**	**12,309**
Cash outflow related to acquisition(s)		-	(510)
Interest income		59	38
Investment in exploration, production and other assets		(13,852)	(12,880)
Net cash (out)/inflow from investing activities		**(13,793)**	**(13,352)**
Gross proceeds from loans and borrowings	5	-	2,460
Repayment of non-recourse loan		(1,408)	(5,752)
Repayment of Senior Secured loan		(2,880)	(1,680)
Realised gain/(loss) on commodity hedges	17	4,522	(981)
Borrowing costs, including arrangement fees		(1,207)	(1,117)
Gross proceeds from Equity Private Placement and Treasury shares	14	-	16,239
Cost of Equity Private Placement and Treasury shares issued		-	(436)
Cash cost of equity issue on settlement of RSUs		(310)	(381)
Lease liability payments	20	(191)	(252)
Cash held for Bank Guarantee	11	-	(9,960)
Movement in restricted cash balance		-	76
Net cash (out)/inflow from financing activities		**(1,474)**	**(1,784)**
Change in cash and cash equivalents during the period		(14,817)	(2,827)
Cash and cash equivalents – assets held for sale	12	(2)	(47)
Cash and cash equivalents at the beginning of the period		20,493	23,367
Cash and cash equivalents at the end of the period		**5,674**	**20,493**

The annexed notes form an integral part of these financial statements.

NOTE 1: CORPORATE INFORMATION

The parent company, Panoro Energy ASA ("the Company"), was incorporated on 28 April 2009 as a public limited company under the Norwegian Public Limited Companies Act. The registered organisation number of the Company is 994 051 067 and its registered office is c/o Advokatfirma Schjødt, Ruseløkkveien 14, P.O. box 1444 Solli, 0201 Oslo, Norway.

The Company and its subsidiaries ("Panoro" or the "Group") are engaged in the exploration and production of oil and gas resources in North and West Africa. The consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 30 April 2021.

The Board of Directors confirms that the annual financial statements have been prepared pursuant to the going concern assumption, in accordance with §3-3a of the Norwegian Accounting Act, and that this assumption was realistic as at the balance sheet date. The going concern assumption is based upon the financial position of the Company and the development plans currently in place. In the Board of Directors' view, the annual accounts give a true and fair view of the group's assets and liabilities, financial position and results. Panoro Energy ASA is the parent company of the Panoro Group. Its financial statements have been prepared on the assumption that Panoro Energy will continue as a going concern.

As of 31 December 2020, the Group had USD 15.6 million in cash and bank balances, including USD 10 million held for the SOEP guarantee, and debt of USD 21.5 million. In addition to Dussafu capital expenditure, the Company is committed to a drilling obligation of one well on SOEP in Tunisia. In support of this obligation, Panoro Tunisia Exploration AS issued a bank guarantee of USD 16.6 million (Panoro's net share is USD 10 million) in January 2019. Although the Company is well funded to undertake upcoming capital expenditure, there is risk that additional funding may be required to conclude such activities. Should additional funding be required in the future for additional capital expenditure for new development phases or working capital requirements, the Company has various alternatives available which it can explore to fulfil such additional requirements. Options include, amongst others, offtake prepayment structures, utilisation of undrawn financing facility and the issuance of shares. As a result, these financial statements have been prepared under the assumption of going concern and realisation of assets and settlement of debt in normal operations.

The Company's shares are traded on the Oslo Stock Exchange under the ticker symbol PEN.

NOTE 2: BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ("EU"). The consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments which have been measured at fair value.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements are presented in USD, which is the functional currency of Panoro Energy ASA. The amounts in these financial statements have been rounded to the nearest USD thousand unless otherwise stated.

Note 2.1: Changes in significant accounting policies

Standards, amendments to standards, and interpretations of standards, issued but not yet effective, are either not expected to materially impact the Company's consolidated financial statements, or are not expected to be relevant to the Company's consolidated financial statements upon adoption.

Note 2.2: Basis of consolidation

The consolidated financial statements include Panoro Energy ASA and its subsidiaries as of December 31 for each year.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any NCI
- derecognises the cumulative translation differences recognised in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss

- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The purchase method of accounting is applied for business combinations. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquirer.

If the initial accounting for a business combination can only be determined provisionally, then provisional values are used. However, these provisional values may be adjusted within 12 months from the date of the combination.

Note 2.3: Significant accounting judgments, estimates and assumptions

2.3.1. Estimates and assumptions

The preparation of the financial statements in conformity with IFRS as adopted by the EU requires and application of the Group's accounting policies require management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Judgements, estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, significant areas of uncertainty considered by management in preparing the consolidated financial statements are as follows:

Hydrocarbon reserve estimates

Hydrocarbon reserves are estimates of the amounts of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework and generally obtains independent evaluations for each asset whenever new information becomes available that materially influences the reported results. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; oil and gas properties; property, plant and equipment; and goodwill may be affected due to changes in estimated future cash flows
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change
- Provisions for decommissioning may change — where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets

Income taxes

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction, to the extent that future cash flows and taxable income differ significantly from estimates. The ability of the Group to realise the net deferred tax assets recorded at the date of the statement of financial position could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

The Group is also subject to taxes under profit sharing contracts which are paid in kind as State share of profit oil. The value assigned to such taxes is subject to estimation, which may be different to the Company's realised oil prices for revenue recognition.

Impairment indicators

The Group assesses each cash-generating unit annually to determine whether an indication of impairment exists. When an indication of impairment exists, a formal estimate of the recoverable amount is made.

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell, or if relevant, a combination of these two models. These calculations require the use of estimates and assumptions. It is reasonably possible that the oil price assumption may change which may then impact the estimated life of the field and may then require a material adjustment to the carrying value of tangible assets. The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets.

Asset retirement obligations

Asset retirement costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its retirement obligation at each reporting date. The ultimate asset retirement costs are uncertain and cost estimates can vary in response to many factors, including changes

to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for asset retirement obligation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future asset retirement costs required.

Technical risk in development of oil and gas fields

The development of the oil and gas fields, in which the Group has an ownership, is associated with significant technical risk and uncertainty with regards to timing of additional production from new development activities. Risks include, but are not limited to, cost overruns, production disruptions as well as delays compared to initial plans laid out by the operator. Some of the most important risk factors are related to the determination of reserves, the recoverability of reserves, and the planning of a cost efficient and suitable production method. There are also technical risks present in the production phase that may cause cost overruns, failed investment and destruction of wells and reservoirs.

Estimates have been made after taking into account information available to management and factors in unknown uncertainties as of the date of the balance sheet.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

2.3.2. Judgments

In the process of applying the Group's accounting policies, the directors have made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

COVID-19 virus pandemic

The ongoing COVID-19 pandemic has created uncertainty on all aspects of the operations and financial position of the Group, and has made countries and organisations, including the Group, take measures to mitigate risk for communities, employees and business operations.

Despite oil prices partially recovering from lows in April 2020, they remained volatile throughout 2020 and made it challenging to predict the full extent and duration of resulting operational and economic impact for the Company and the Group, which makes key assumptions applied in the valuation of the Group's assets and measurement of its liabilities difficult.

Continued development of the pandemic and mitigating actions enforced by health authorities create uncertainty related to key assumptions applied in the valuation of our assets and measurement of our liabilities. These key assumptions include commodity prices, changes to demand for and supply of oil and gas, and the discount rate to be applied.

Exploration and evaluation expenditures

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Assets held for sale

On 21 October 2019, the Company entered into a sale and purchase agreement with PetroNor E&P Limited to divest all outstanding shares in its fully owned subsidiaries Pan-Petroleum Services Holding BV and Pan-Petroleum Nigeria Holding BV (together, the "Divested Subsidiaries") which met the criteria and was classified as held for sale at that date.

At 31 December 2020, the sale has not yet been completed due to delays related to the COVID-19 pandemic and the agreed long-stop date has been extended to 30 June 2021. As a result, the operations of the Group's Divested Subsidiaries have been classified as discontinued operations under IFRS 5 in 2019 and 2020.

For more details on the discontinued operation, refer to Note 12: Discontinued Operations and assets held for sale.

Note 2.4: Summary of significant accounting policies

2.4.1 Interests in associated companies and joint arrangements

A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Associated companies are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recording investments in associated companies initially at cost and recognising the Group's share of its associated companies' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has

incurred obligations or made payments on behalf of the associated company.

Joint arrangements, which are arrangements of which the Group has joint control together with one or more parties, are classified into joint ventures and joint operations. Joint ventures are joint arrangements in which the parties that share control have rights to the net assets of the arrangement. Joint operations are joint arrangements in which the parties that share joint control have rights to the assets, and obligations for the liabilities, relating to the arrangement.

For joint operations, the Group's share of all assets, liabilities, income and expenses is included in the consolidated financial statements. Acquisitions of interests in a joint operation, in which the activity of the joint operation constitutes a business, are accounted for according to the relevant IFRS 3 principles of accounting for business combinations.

On 11 December 2018, the Company entered into a joint arrangement through a shareholder agreement with Beender Petroleum Tunisia Limited ("Beender"), whereby Panoro and Beender jointly own and control 60% and 40% respectively of Sfax Petroleum Corporation AS ("Sfax Corp"). Sfax Corp, through its subsidiaries holds 100% shares of Panoro Tunisia Production AS ("PTP") and Panoro Tunisia Exploration AS ("PTE"). As such, the arrangement is a joint operation and all numbers and volume information relating to the Company's Tunisian operations and transactions represents the Group's 60% interest, unless otherwise stated.

Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognises its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Expenses, including its share of any expenses incurred jointly

Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group's investment in its joint venture is accounted for using the equity method.

Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of joint ventures. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax and NCI in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

On loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income.

Reimbursement of costs of the operator of the joint arrangement

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

2.4.2 Foreign Currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The functional currency of the Group's subsidiaries and jointly controlled companies incorporated in Gabon, Nigeria, Cyprus, Netherlands, Norway, Austria and the Cayman Islands is the US dollar ('USD').

In the consolidated financial statements, the assets and liabilities of non-USD functional currency balances are translated into USD at the rate of exchange ruling at the balance sheet date. The results and cash flows of non-USD functional currency subsidiaries are translated into USD using applicable average rates as an approximation for the exchange rates prevailing at the dates of the different transactions. Foreign exchange adjustments arising when the opening net assets and the profits for the year retained by non-USD functional currency subsidiaries are translated into USD are taken to a separate component of equity.

The foreign exchange rates applied were:

	2020		2019	
	Average rate	Reporting date rate	Average rate	Reporting date rate
Norwegian Kroner / USD	9.4201	8.5189	8.8032	8.7865
USD / British Pound Sterling	1.2836	1.3649	1.2765	1.3210
USD / Tunisian Dinar	2.8220	2.7047	2.9337	2.8067

Transactions in foreign currencies are initially recorded at the functional currency spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the spot exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4.3 Business combinations and goodwill

In order to consider an acquisition as a business combination, the acquired asset or groups of assets must constitute a business (an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors). The combination consists of inputs and processes applied to these inputs that have the ability to create output. Acquired businesses are included in the financial statements from the transaction date. The transaction date is defined as the date on which the Group achieves control over the financial and operating assets. This date may differ from the actual date on which the assets are transferred. Comparative figures are not adjusted for acquired, sold or liquidated businesses. On acquisition of a licence that involves the right to explore for and produce petroleum resources, it is considered in each case whether the acquisition should be treated as a business combination or an asset purchase. Generally, purchases of licences in a development or production phase will be regarded as a business combination. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree. For each business combination, the Group elects whether to measure NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Those acquired petroleum reserves and resources that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised separately, but instead are subsumed in goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments* is measured at fair value, with changes in fair value recognised either in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred (bargain purchase), before recognising a gain, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of profit or loss and other comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

2.4.4 License interests, exploration and evaluation assets, and field investments, and depreciation

The Group applies the 'successful efforts' method of accounting for Exploration and Evaluation ('E&E') costs, in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources'. E&E expenditure is capitalised when it is considered probable that future economic benefits will be recoverable. Costs that are known at the time of incurrence to fail to meet this criterion are generally charged to expense in the period they are incurred.

E&E expenditure capitalised as intangible assets includes license acquisition costs, and exploration drilling, geological and geophysical costs and any other directly attributable costs.

E&E expenditure, which is not sufficiently related to a specific mineral resource to support capitalisation, is expensed as incurred.

E&E assets are carried forward, until the existence, or otherwise, of commercial reserves have been determined subject to certain limitations including review for indications of impairment. If no reserves are found the costs to drill exploratory wells, including

exploratory geological and geophysical costs and costs of carrying and retaining unproved properties, are written off.

Once commercial reserves have been discovered, the carrying value after any impairment loss of the relevant E&E assets is transferred to development tangible and intangible assets. No depreciation and/or amortisation are charged during the exploration and development phase. If however, commercial reserves have not been discovered, the capitalised costs are charged to expense after the conclusion of appraisal activities.

Development tangible and intangible assets

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of commercially proven development wells, is capitalised within property, plant and equipment and intangible assets according to nature. When development is completed on a specific field, these costs are transferred to production assets. No depreciation or amortisation is charged during the Exploration and Evaluation phase.

Farm-outs – in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the Group as a gain on disposal.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

Oil & gas production assets

Development and production assets are accumulated on a cash-generating unit basis and represent the cost of developing the commercial reserves discovered and bringing them into production together with E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined in accounting policy above.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads and the cost of recognising provisions for future restoration and decommissioning.

Where major and identifiable parts of the production assets have different useful lives, they are accounted for as separate items of property, plant and equipment. Costs of minor repairs and maintenance are expensed as incurred.

Depreciation/amortisation

Oil and gas properties are not depleted until production commences. Costs relating to each single field cost centre are depleted on a unit of production method based on the commercial proved and probable reserves for that cost centre. The depletion calculation takes account of the estimated future costs of development of management's assessment of proved and probable reserves, reflecting risks applicable to the specific assets. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date.

Field infrastructure exceeding beyond the life of the field is depreciated over the useful life of the infrastructure using a straight- line method.

Depreciation/amortisation on assets held for sale is ceased from the date of such classification.

Impairment – exploration and evaluation assets

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount and when they are reclassified to PP&E assets. For the purpose of impairment testing, E&E assets are grouped by concession or field with other E&E and PP&E assets belonging to the same CGU. The impairment loss will be calculated as the excess of the carrying value over recoverable amount of the E&E impairment grouping and any resulting impairment loss is recognised in profit or loss. The recoverable amount of a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs to sell, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Fair value less costs to sell is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves.

Impairment – proved oil and gas production properties and intangible assets

Proven oil and gas properties and intangible assets are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The carrying value is compared against the expected recoverable amount of the asset, generally by net present value of the future net cash flows, expected to be derived from production of commercial reserves or consideration expected to be achieved through the sale of its interest in an arms-length transaction, less any associated costs to sell. The cash generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped together where there are common facilities.

2.4.5 Non-current assets held for sale or for distribution to equity holders of the parent and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its

present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution with be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Production assets, property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- a component of the Group that is a CGU or a group of CGUs
- classified as held for sale or distribution or already disposed in such a way, or
- a major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

2.4.6 Financial instruments

2.4.6.1 Derivative financial instruments and hedge accounting

The Group enters into derivative financial instruments including zero cost collars and commodity swaps to manage its exposure to volatility in the commodity prices realised for a proportion of its crude oil production. All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each period end. Apart from those derivatives designated as qualifying cash flow hedging instruments, all changes in fair value are recorded as financial income or expense in the year in which they arise, otherwise they are recognised in other comprehensive income.

For derivatives not designed as qualifying for cash flow hedging, the fair value at balance sheet date is based on fair value provided by the counterparties with whom the trades have been entered into. The derivatives are valued using a Black-Scholes based methodology. The inputs to these valuations include price of oil and its volatility. Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. It is determined by reference to quoted market prices adjusted for estimated transaction costs that would be incurred in an actual transaction, or by the use of established estimation techniques such as option pricing models and estimated discounted values of cash flows.

2.4.6.2 Financial assets

Financial assets are recognised initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below. The group derecognises financial assets when the contractual rights to the cash flows expire or the financial asset is transferred to a third party. This includes the derecognition of receivables for which discounting arrangements are entered into. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

Financial assets are classified as measured at amortised cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired and when interest is recognised using the effective interest method. This category of financial assets includes trade and other receivables.

Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortised cost or fair value through other comprehensive income. Such assets are carried on the balance sheet at fair value with gains or losses recognised in the income statement. Derivatives, other than those designated as effective hedging instruments, are included in this category.

Cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as financial assets measured at amortised cost.

Cash held for Bank guarantee - restricted

Cash held for Bank guarantee relates to resources or collateral held by a bank which can only be accessed through fulfilment of conditions imposed by counter parties. Funds are only classified from restricted cash status to cash equivalents when funds are transferred to and under the control of the Group.

Impairment of financial assets measured at amortised cost

The group assesses on a forward-looking basis0 the expected credit losses associated with financial assets classified as measured at amortised cost at each balance sheet date. Expected credit losses are measured based on the maximum contractual period over which the group is exposed to credit risk. Since this is typically less than 12 months there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the group's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the group expects to receive discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognised in the income statement. A financial asset or group of financial assets classified as measured at amortised cost is considered to be credit-impaired if there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset (or group of financial assets) have occurred. Financial assets are written off where the group has no reasonable expectation of recovering amounts due.

2.4.6.3 Financial liabilities

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities that meet the definition of held for trading are classified as measured at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses recognised in the income statement. Derivatives, other than those designated as effective hedging instruments, are included in this category.

Financial liabilities measured at amortised cost

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. This category of financial liabilities includes trade and other payables and finance debt.

2.4.7 Fair value measurement and hierarchy

The Group measures derivatives at fair value at each balance sheet date and, for the purposes of impairment testing, uses fair value less costs of disposal to determine the recoverable amount of some of its non-financial assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and
- Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4.8 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised through profit and loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense. The present obligation under onerous contracts is recognised as a provision.

2.4.9 Asset retirement obligation

An asset retirement liability is recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the obligation is also recognised as part of the cost of the related production plant and equipment. The amount recognised in the estimated cost of asset retirement, discounted to its present value. Changes in the estimated timing of asset retirement or asset retirement cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to production plant and equipment. The unwinding of the discount on the asset retirement provision is included as a finance cost.

2.4.10 Income tax

Income tax expense represents the sum of the tax currently payable and movement in deferred tax.

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations which applicable tax regulations are subject to interpretation and established provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences; carry forward to unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associate with investments in subsidiaries, associate and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances arose. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or in profit or loss.

Production-sharing arrangements

According to the production-sharing arrangement (PSA) in certain licenses, the share of the profit oil to which the government is entitled in any calendar year in accordance with the PSA is deemed to include a portion representing the corporate income tax imposed upon and due by the Group. This amount will be paid directly by the government on behalf of Group to the appropriate tax authorities. This portion of income tax and revenue are presented separately in income statement.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

Sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable if the sales tax incurred on a purchase of assets or services is not recoverable from taxation authorities.

Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, taxation authorities is included as part of receivables or payables in the statement of financial position.

2.4.11 Revenue recognition

Revenue from petroleum products

Revenue from the sale of crude oil is recognised when a customer obtains control ("sales" or "lifting" method), normally this is when title passes at point of delivery. Revenues from production of oil properties are recognised based on actual volumes lifted and sold to customers during the period. Where the Group has lifted and sold more than the ownership interest, an accrual is recognised for the cost of the overlift. Where the Group has lifted and sold less than the ownership interest, costs are deferred for the underlift. Overlift and underlift on the Consolidated statement of financial position date are valued at production costs. Lifting imbalances are a part of the operating cycle and as such classified as other current liabilities/assets. Under a production sharing contract, where the group is required to pay profit oil tax on production of crude oil, such payment can either be settled (i) in kind (where the government lift the crude it is entitled to); or (ii) in cash (where the Group sells the crude and pays the taxes in cash). The group presents a gross-up of the profit oil tax as an income tax expense with a corresponding increase in oil and gas revenues.

Interest income and financial instruments measured at amortised cost

Interest income is recognised on an accruals basis. For all financial instruments measured at amortised cost and interest-bearing financial assets measured at fair value through profit and loss, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest revenue is included in finance income in income statement.

2.4.12 Leases

Following the implementation of IFRS 16 Leases on 1 January 2019, the accounting policies for lease accounting for the Group have changed. Relevant accounting policies applied throughout 2019, including policy choices made, are described in Note 20: Leases.

2.4.13 Property, plant and equipment

Property, plant and equipment not associated with exploration and production activities are carried at cost less accumulated depreciation. These assets are also evaluated for impairment. Depreciation of other assets is calculated on a straight-line basis as follows:

Computer equipment:	20 to 33.33%
Furniture, Fixtures & fittings:	10 to 33.33%

2.4.14 Inventories

Inventories, consisting of crude oil, and drilling and maintenance materials, are stated at the lower of cost and net realisable value. Costs comprise costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Weighted average cost is used to determine the cost of ordinarily inter-changeable items.

2.4.15 Defined contribution pension plan

The Group pays contributions into a defined contribution plan. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

2.4.16 Share-based payment transactions

Employees (including senior executives) of the Group may receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in additional paid in capital reserve in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in share-based payments expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting are conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.4.17 Impairment of non-oil and gas interests

Non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is assessed for impairment on an annual basis. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets that were previously impaired are reviewed for possible reversal of the impairment at each reporting date.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the asset's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial assets

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date, any subsequent reversal of an impairment loss is recognised in the income statement.

2.4.18 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Note 2.5: New and amended standards and interpretations

As noted above, Panoro implemented IFRS 16 with effect from 1 January 2019. Refer to Note 20: Leases for further information about implementation of the standard, the policy and implementation choices made and the IFRS 16 implementation impact.

Other standard amendments or interpretations of standards effective as of 1 January 2020 and adopted by Panoro, were not material to the Group's Consolidated financial statements upon adoption.

Note 2.6: Standards issued but not yet effective

At the date of these Consolidated financial statements, standards amendments to standards, and interpretations of standards, issued but not yet effective, are either not expected to materially impact Panoro's Consolidated financial statements, or are not expected to be relevant to Panoro's Consolidated financial statements upon adoption.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

NOTE 3: OPERATING SEGMENTS

The Group operated predominantly in two business segments being the exploration and production of oil and gas in North Africa (Tunisia) and West Africa (Gabon).

As noted above, from December 2019, the business in Nigeria is classified as a "Discontinued Operation" and as an "Asset held for sale". Segment information has therefore been re-arranged in line with reporting requirements for such item.

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

- The North African segment holds the following assets:
  - Sfax Offshore Exploration Permit: Panoro Tunisia Exploration AS (Operator, 52.5%* interest net to Panoro)
  - The Hammamet Offshore Exploration Permit: Medco (Operator), Panoro Tunisia Exploration AS (27.6%* interest net to Panoro), under relinquishment
  - TPS Assets: ETAP, 51% and Panoro TPS Production GmbH, 49% (29.4%* interest net to Panoro).

** Figures only represent net participation interest in proportion to Panoro's equity holding in Sfax Petroleum Corporation AS.*

- The West African segment holds the following assets:
  - The Dussafu licence representing the Group's 7.4997% working interest in the Dussafu Marin exploration licence in Gabon.**

*** Tullow exercised their 10% back-in right in the licence on 17 December 2019, Panoro's interest therefore reduced from 8.3333% to 7.4997%*

- The 'Corporate and others' category consists of head office and service company operations that are not directly attributable to the other segments. Further, it also includes the residual corporate business in Brazil which is expected to be dormant in the foreseeable future.
- Discontinued Operations and Assets held for sale:
  - OML113-Aje represents the Group's 12.1913% revenue interest, 16.255% paying interest and 6.502% participating interest) in the OML113-Aje exploration licence in Nigeria.

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

Details of Group segments are reported below:

2020

USD 000	West Africa	North Africa	Corporate	Total - continuing operations	Aje-OML 113 discontinued operations	Total
Revenue (net) *	14,094	12,762	-	26,856	2,307	29,163
EBITDA	6,905	3,982	(4,716)	6,171	(2,670)	3,501
Depreciation	(2,856)	(4,025)	(211)	(7,092)	-	(7,092)
Profit/(loss) before tax	3,447	4,679	(5,818)	2,308	(3,138)	(830)
Net Profit/(loss)	**758**	**2,864**	**(5,817)**	**(2,195)**	**(3,138)**	**(5,333)**
Segment assets **	50,513	75,031	3,418	128,962	20,445	149,407
Additions to licences, production, E&E and development assets	8,861	6,841	-	15,702	-	15,702

2019

USD 000	West Africa	North Africa	Corporate	Total - continuing operations	Aje-OML 113 discontinued operations	Total
Revenue (net) *	26,688	20,090	-	46,778	8,046	54,824
EBITDA	14,722	11,427	(1,538)	24,611	377	24,988
Depreciation	(3,061)	(3,574)	(344)	(6,979)	(3,011)	(9,990)
Impairment (charge)/reversal	8,145	-	-	8,145	8,000	16,145
Profit/(loss) before tax	19,669	2,791	(3,615)	18,845	4,822	23,667
Net Profit/(loss)	**16,579**	**(6,830)**	**(4,381)**	**5,368**	**4,822**	**10,190**
Segment assets **	49,175	69,844	12,572	131,591	20,925	152,516
Additions to licences, production, E&E and development assets	9,691	2,042	-	11,733	-	11,733

* Revenue excludes any intercompany revenue.

** Refer to Note 12: Discontinued Operations and assets held for sale for segment assets related to discontinued operations (OML 113, Aje)

Revenue from major sources from continuing operations:

USD 000	2020	2019
Oil revenue (net)	**24,167**	42,968
Other revenue	**2,689**	3,810
Total revenue	**26,856**	**46,778**

There are no differences in the nature of measurement methods used on segment level compared with the consolidated financial statements. The oil revenue from continuing operations in 2019 and 2020 relates to sale of hydrocarbons from two assets, TPS in Tunisia and Dussafu in Gabon. The Group has local obligations in Tunisia and 20% of produced volumes are sold to the Tunisian State Oil Company, Entreprise Tunisienne D' Activites Petrolieres (ETAP) in order to fulfil the Group's domestic market obligations. All international sales of the Group in Tunisia during 2020 were to a single customer, Mercuria Energy Trading SA, through a crude marketing agreement. All sales in 2020 from the Group's production from Dussafu in Gabon arose from one key customer.

Under the terms of the Dussafu PSC, State profit oil is estimated and shown as other revenue with a corresponding amount as income tax, see Note 2.4.10. There are no other items included in other revenue for both periods presented.

NOTE 4: OPERATING RESULT

Operating profit is stated after charging/ (crediting):

USD 000	Note	2020	2019
Employee benefits expense		3,659	3,140
Depreciation	8, 9	6,963	6,979
Impairment and asset write-off/(reversal)	9.4	-	(8,145)
Acquisition and project related costs (i)		725	1,106

(i) Acquisition and project related costs in 2020 of USD 0.6 million relate to costs that have been incurred up to 31 December 2020 on the Equatorial Guinea and Dussafu acquisitions as described in Note 23: Events subsequent to reporting date. The remaining USD 0.1 million as well as the 2019 costs of USD 1.1 million relate to organisational restructure and integration activities in Tunisia.

Note 4.1: Employee benefit expenses

General and administrative expenses include wages, employer's contribution and other compensation as detailed below:

USD 000	2020	2019
Salaries	3,058	2,495
Employer's contribution	400	339
Pension costs	114	213
Other compensation	87	93
Total	**3,659**	**3,140**

The number of employees in the Group as at year end is detailed below:

	2020	2019
Number of employees	25	23

The number of employees does not include temporary contract staff and personnel employed by joint ventures where the group is participating as non-operated partner.

Note 4.2: Board of Directors statement on remuneration of executives

Statement for the current year (2020)

In accordance with the Norwegian Public Limited Liability Companies Act §6-16a, the Board of Directors must prepare a statement on remuneration of executives. This statement can be referred to on page 80 of this report.

Note 4.3: Management remuneration

Executive management consists of the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and two other Named Executives as described below. Current Executive management remuneration is summarised below:

2020	Short term benefits						
USD 000 (unless stated otherwise)	Salary	Bonus	Benefits	Pension costs	Total	Number of RSUs awarded in 2020	Fair value of RSUs expensed
John Hamilton, CEO	454	182	11	13	660	324,358	428
Qazi Qadeer, CFO	289	102	5	13	409	104,215	139
Other Named Executives (vi)	570	205	9	14	798	208,430	243
Total	1,313	489	25	40	1,867	637,003	810

2019	Short term benefits						
USD 000 (unless stated otherwise)	Salary	Bonus	Benefits	Pension costs	Total	Number of RSUs awarded in 2019	Fair value of RSUs expensed
John Hamilton, CEO	417	191	11	10	629	197,280	366
Qazi Qadeer, CFO	259	123	5	16	403	63,315	123
Other Named Executives (vi)	515	123	9	16	663	124,765	159
Total	1,191	437	25	42	1,695	385,360	648

(i) Under the terms of employment, the CEO and the CFO in general are required to give at least six month's written notice prior to leaving Panoro. Other Named Executives have notice periods between three and six months.

(ii) Per the respective terms of employment, the CEO is entitled to 12 months of base salary in the event of a change of control; whereby a tender offer is made or consummated for the ownership of more than 50% or more of the outstanding voting securities of the Company; or the Company is merged or consolidated with another corporation and as a result of such merger or consolidation less than 50.1% of the outstanding voting securities of the surviving entity or resulting corporation are owned in the aggregate by the persons, by the entities or persons who were shareholders of the Company immediately prior to such merger or consolidation; or the Company sells substantially all of its assets to another corporation that is not a wholly owned subsidiary. The CFO is entitled to 6 months of base salary in the event of a change of control.

(iii) In July 2020, 719,087 Restricted Share Units were awarded under and in accordance with the Company's RSU scheme to the employees of the Company under the long-term incentive compensation plan approved by the shareholders. One Restricted Share Unit ("RSU") entitles the holder to receive one share of capital stock of the Company against payment in cash of the par value for the share. The par value is currently NOK 0.05 per share. Vesting of the RSUs is time based, where 1/3 of the RSUs vest after one year, 1/3 vest after 2 years, and the final 1/3 vest after 3 years from grant. The Board of Directors, at its discretion can grant a non-standard vesting period which was the case in some prior year awards. RSUs vest automatically at the respective vesting dates and the holder will be issued the applicable number of shares as soon as possible thereafter.

(iv) All salaries, bonuses and benefit payments have been expensed as incurred.

(v) All bonuses were approved by the Board of Directors.

(vi) Remuneration details for Other Named Executives include Mr. Richard Morton (Technical Director) and Mr. Nigel McKim (Projects Director).

Refer to Note 16: Share based payments for further information on the Restricted Share Units scheme.

Note 4.4: Board of Directors remuneration

The remuneration of the members of the Board is determined on a yearly basis by the Company at its Annual General Meeting. The directors may also be reimbursed for, inter alia, travelling, hotel and other expenses incurred by them in attending meetings of the directors or in connection with the business of Panoro Energy ASA. A director who has been given a special assignment, besides his/her normal duties as a director of the Board, in relation to the business of Panoro Energy ASA may be paid such extra remuneration as the directors may determine.

Remuneration to members of the Board of Directors is summarised below:

USD 000	2020	2019
Julien Balkany (Chairman of the Board of Directors)	66	64
Torstein Sanness (Deputy Chairman of the Board of Directors)	47	43
Alexandra Herger	40	39
Garrett Soden	40	39
Hilde Ådland	40	39
Total	**233**	**224**

The Chairman of the Board of Directors' annual remuneration is NOK 460,000 and the annual remuneration for the Deputy Chairman of the Board is NOK 300,000. The remaining Directors' annual remuneration is NOK 250,000. All Board Members also form the Audit Committee and Remuneration Committee for which they each receive NOK 50,000 annually per committee. No loans have been given to, or guarantees given on the behalf of, any members of the Management Group, the Board or other elected corporate bodies.

Note 4.5: Pension plan

The Company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("Lov om obligatorisk tjenestepensjon"). The Company contributes to an external defined contribution scheme and therefore no pension liability is recognised in the statement of financial position. As of 31 December 2020, the Company had no employees at parent company level and this pension plan is no longer in operation (31 December 2019: Nil).

In the UK, the Company's subsidiary that employs staff, contributes a fixed amount per Company policy in an external defined contribution scheme. As such, no pension liability is recognised in the statement of financial position in relation to the Company's London based employees. No occupational pension scheme is mandated in Tunisia. Companies are required to pay a fixed percentage of gross salary of each employee as "social security" to the government authorities, in addition to a fixed deduction from gross monthly salary as employee contribution. As such, no pension liability is recognised in the statement of financial position for these deductions.

For contributions made to the external defined scheme for 2020 and 2019, refer to Note 4.1: Employee benefit expenses.

Note 4.6: Auditors' remuneration

Fees, excluding VAT, to the auditors are included in general and administrative expense and are shown below:

USD 000	2020	2019
Ernst & Young		
Statutory Audit	175	170
Total Audit Services	**175**	170
Non-audit Services		
Corporate financial services including pre-acquisition due diligence	-	-
Total non-audit services	-	-
Total	**175**	170

NOTE 5: FINANCE INCOME, INTEREST EXPENSE AND OTHER CHARGES

Interest costs net of (income)/expense

USD 000	2020	2019
Unrealised (gain) / loss on commodity hedges (Note 17)	(2,460)	1,837
Realised (gain) / loss on commodity hedges (Note 17)	(4,522)	980
Interest income from placements and deposits	(59)	(38)
Interest expense - Loans and borrowings	1,691	2,549
Interest expense - Bank guarantee	220	205
Other financial costs - Bank charges and ARO unwinding	638	559
Total - Net (income) / expense	**(4,492)**	6,092

Note 5.1: Loans and borrowings

Note 5.1.1 Mercuria senior secured loan

In 2018, the Group entered into an agreement with Mercuria Assets Holdings (Hong Kong) Ltd ("Mercuria"), whereby Mercuria provided PTP (60% owned by Panoro) an acquisition loan facility comprising a Senior Secured Loan facility of USD 16.2 million (USD 27 million gross) which was fully drawn. The Senior Loan facility initially had term of 5 years with interest charged at USD 3-month LIBOR plus 6% on quarterly amounts drawn, with repayments due each quarter. Interest of USD 0.2 million (USD 0.4 million gross) was accrued up to 31 December 2020 (31 December 2019: USD 0.4 million).

On 25 June 2019, the Group and Mercuria mutually agreed to make minor adjustments to the Facility terms, resulting in the Facility amount increasing by USD 2.5 million (USD 4.1 million gross) to USD 18.7 million (USD 30 million gross). As part of the security package for the enhanced facility size, shares in Panoro Energy AS (holding company for Panoro Tunisia Exploration AS) have been pledged as collateral. The amended Senior Loan facility has a term of 5 years from 30 June 2019 with interest charged at USD 3-month LIBOR plus 6% on the balance outstanding, with repayments due each quarter.

Key financial covenants were unchanged as a result of the amendment and are required to be tested at the end of every 3-month period. These covenants, applicable at levels of the borrower group as defined in the loan documentation, include the following:

(i) Field life coverage ratio (FLCR): 1.50x

(ii) Minimum cash balance of USD 2.1 million (USD 3.5 million gross) to be maintained at all times in the collection account of the borrower.

(iii) Debt service coverage ratio (DSCR): between 1.15x and 1.25x subject to specifications in the loan agreement.

(iv) Liquidity Test: Customary to the loan instrument.

With the exception of waivers obtained from the lender with respect to forward looking FLCR and DSCR covenants, the Group was not in breach of any financial covenants as at any of the balance sheet dates presented. Un-amortised borrowing costs include structuring fees and directly attributable third-party costs. These costs are expensed using an effective interest rate of 6.95% per annum over the term of the remaining term of the facility (effective interest rate 31 December 2019: 9.8%).

Security package for the original Senior Secured loan comprised a Guarantee from Panoro Energy ASA, share pledge over shares in Panoro TPS (UK) Production Limited and Panoro TPS Production GmbH and from Sfax Petroleum Corporation AS, shareholder and intercompany loans (subordinated at all times), rights under hedging agreements, and the Account Management Agreement (for the Collection Account), negative pledge over the assets. In an event, the guarantee placed by Panoro Energy ASA is called upon, the shareholders' agreement with

Beender for the ownership on Sfax Petroleum Corporation AS provides that Sfax Petroleum Corporation AS shall indemnify Panoro Energy ASA. If Sfax Petroleum Corporation AS is unable to indemnify, Panoro Energy ASA, such indemnification, pro rata to its ownership, shall be made by Beender. As part of the amendment in June 2019 as noted above, the security package for the enhanced facility size was amended to also include a pledge over the shares in Panoro Energy AS (holding company for Panoro Tunisia Exploration AS).

Current and non-current portion of the outstanding balance of the Mercuria Senior Secured facility as of the date of the statement of financial position attributable to Panoro's 60% ownership is as follows:

USD 000	31 December 2020			31 December 2019		
	Current	Non-current	Total	Current	Non-current	Total
Mercuria Senior Secured loan facility						
Principal outstanding	4,200	9,900	14,100	3,600	13,380	16,980
Accumulated interest accrued	224	-	224	352	-	352
Unamortised borrowing costs	(102)	(240)	(342)	(155)	(289)	(444)
	4,322	**9,660**	**13,982**	**3,797**	**13,091**	**16,888**

5.1.2. BW Energy non-recourse loan

The Group has in place a non-recourse loan from BW Energy in relation to the funding of the Dussafu development. The loan bears interest at 7.5% per annum on outstanding balance, compounded annually. The balance outstanding at each balance sheet date presented is as below:

USD 000	31 December 2020			31 December 2019		
	Current	Non-current	Total	Current	Non-Current	Total
BW Energy Non-Recourse loan						
Principal outstanding	2,262	3,078	5,340	3,368	3,380	6,748
Accumulated interest accrued	1,871	-	1,871	1,361	-	1,361
	4,133	**3,078**	**7,211**	**4,729**	**3,380**	**8,109**

The loan is repayable through Panoro's allocation of the cost oil in accordance with the Dussafu PSC, after paying for the proportionate field operating expenses and as such the loan is classified as current or non-current based on expected field production and lifting schedule at a reasonable oil price assumption at the time of making such classification. During the repayment phase, Panoro is still entitled to its share of profit oil, as defined in the PSC, from the Dussafu operations.

Note 5.2: Changes in liabilities with cash flow movements from Financing Activities

The changes in liabilities whose cash flow movements are disclosed as part of financing activities in the cash flow statement are as follows:

USD 000	2020	2019
At 1 January	26,756	29,696
Cash flows:		
Drawdown of Senior Secured loan	-	2,460
Repayment of Senior Secured loan	(2,880)	(1,680)
Repayment of non-recourse loan	(1,408)	(5,752)
Realised gain/(loss) on commodity hedges	4,522	(980)
Borrowing costs, including arrangement fees	(1,207)	(1,145)
Lease liability payments	(191)	-
Non cash changes:		
Unwinding of unamortised borrowing cost and finance charges	156	31
Interest accrued	1,590	2,149
Movement in unrealised hedges	(6,982)	1,303
Initial recognition lease under IFRS 16	-	679
Foreign exchange movements	35	(5)
At 31 December	**20,392**	**26,756**

NOTE 6: INCOME TAX

Income tax

The major components of income tax in the consolidated statement of comprehensive income related to continuing and discontinued operations were:

USD 000	2020	2019
Income Taxes		
Current income tax (i)	622	7,598
PSC based Profit Oil allocation – current (ii)	2,689	3,810
Deferred tax expense / (benefit) (iii)	1,192	2,024
Tax relating to prior years income	-	45
Tax charge / (benefit) for the period	**4,503**	**13,477**

(i) Current income tax primarily comprises of tax on income from Tunisian operation.

(ii) Under the terms of the Dussafu PSC, the estimated value of the State profit oil is reflected in other revenue, with a corresponding amount as income tax. See Note 3: Operating segments

(iii) Deferred tax liability recognised has arisen on temporary differences between tax base and accounting base of the production assets in Tunisia and have been calculated using the effective tax rate applicable to the concession.

(iv) All costs for Brazil including taxes, disclosed as discontinued operations in the 2018 annual report, being of low materiality, have been reclassified in the prior year to general costs under continuing activities.

(v) Tax rates in Tunisia vary by permit and concession and ranges between 50% to 60% applicable to the respective concession's taxable income.

A reconciliation of the income tax expense applicable to the accounting profit before tax at the statutory income tax rate to the expense at the Group's effective income tax rate is as follows:

USD 000	2020	2019
Profit/ (loss) before taxation – continuing operations	2,308	18,845
Profit / (loss) before taxation – discontinued operations	(3,138)	4,822
Profit / (loss) before taxation - total	**(830)**	**23,667**
Tax/ (tax loss) calculated at domestic tax rates applicable to profits in the respective countries	(1,517)	8,798
Expenses not deductible	4,829	1,891
Expenses deductible for tax	-	(435)
Deferred tax arising on taxable temporary differences	1,192	2,024
PSC based Profit Oil allocation	2,689	3,810
Tax effect of losses not utilised in the period	(2,690)	(2,656)
Prior year adjustment	-	45
Tax charge / (benefit)	**4,503**	**13,477**

Tax Liabilities

Tax liabilities payable of USD 1.3 million as of 31 December 2020 (31 December 2019: USD 5 million) comprised of taxes payable in Tunisia for production from various concessions.

Deferred tax

Deferred tax liability recognised during the year is arising on taxable temporary differences between accounting and tax bases of property, plant and equipment in Tunisia. Effective tax rate of the respective petroleum concessions has been used to calculate such liability. The deferred tax liability of USD 3.2 million as of 31 December 2020 is classified as non-current based on the current expectation of timing of such taxes. These are ring fenced against taxable income from the respective concessions in Tunisia.

There are no recognised deferred tax assets in the Group financial statements as of 31 December 2020 (31 December 2019: Nil).

Deferred tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through future taxable profits is probable. The Group did not recognise deferred income tax assets of USD 5.6 million (2019: USD 9.2 million) in respect of losses that can be carried forward against future taxable income.

The Group has provisional accumulated tax losses as of year-end that may be available to offset against future taxable income; all losses are available indefinitely and have been included in the table below.

USD 000	2020	2019
Panoro Energy ASA	21,178	30,166
Sfax Petroleum Corporation (at 60%)	4,387	11,430
Total	**25,565**	**41,596**

The tax losses in Norway are currently provisional in nature and subject to assessment.

NOTE 7: BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings or loss per ordinary share amounts are calculated using net profit or loss for the period attributable to ordinary equity holders of the parent divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated using the net profit attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares.

Amounts in USD 000, unless otherwise stated	2020	2019
Net profit/(loss) attributable to equity holders - Total	(5,333)	10,190
Net profit/(loss) attributable to equity holders - Continuing operations	(2,195)	5,368
Weighted average number of shares outstanding - in thousands	68,912	63,523
Diluted weighted average number of shares outstanding - in thousands	68,912	64,402
Basic earnings/(loss) per share (USD) - Total	(0.08)	0.16
Diluted earnings/(loss) per share (USD) - Total	(0.08)	0.16
Basic earnings/(loss) per share (USD) - Continuing operations	(0.03)	0.08
Diluted earnings/(loss) per share (USD) - Continuing operations	(0.03)	0.08

NOTE 8: LICENSES, EXPLORATION AND EVALUATION ASSETS, DEVELOPMENT ASSETS

2020

USD 000	Licences, exploration and evaluation assets	Development assets
Historical cost		
At 1 January 2020	19,760	33,225
Additions	1,310	8,607
At 31 December 2020	**21,070**	**41,832**
Accumulated impairment		
At 1 January 2020	-	27,310
At 31 December 2020	**-**	**27,310**
Net carrying value at 31 December 2020	**21,070**	**14,522**

2019

USD 000	Licences, exploration and evaluation assets	Development assets
Historical cost		
At 1 January 2019	61,039	27,942
Additions	3,622	5,895
Disposal (Tullow back-in)*	-	(612)
Transfer to Assets Held for Sale	(44,901)	-
At 31 December 2019	**19,760**	**33,225**
Accumulated impairment		
At 1 January 2019	45,842	27,310
Impairment charge/(reversal) – Dussafu	(8,145)	-
Transfer to Assets Held for Sale	(37,697)	-
At 31 December 2019	**-**	**27,310**
Net carrying value at 31 December 2019	**19,760**	**5,915**

* As noted earlier, Tullow Oil Gabon SA exercised their back-in to the Dussafu permit in December 2019, resulting in Panoro's interest reducing from 8.3333% to 7.4997%. Identifiable asset values were correspondingly reduced to reflect the disposal, resulting in a net loss on disposal of USD 0.3 million.

Licence area	Panoro's interest	Country	Expiry of current phase
OML 113	6.502% participating interest, 12.1913% entitlement to revenue stream and 16.255% paying interest (Held for Sale)	Nigeria	August 2038
Dussafu Marin permit*	7.4997%	Gabon	Ten years from commencement of production
Sfax Offshore Exploration Permit**	52.5% (Operator) – excluding Beender's 40%	Tunisia	December 2018
Hammamet Offshore Exploration Permit	27.6% - excluding Beender's 40%	Tunisia	Under relinquishment
TPS Assets:			
Cercina			February 2024
Cercina South			November 2034
Gremda / El Ain **	29.4% - excluding Beender's 40%	Tunisia	December 2018
Guebiba			June 2033
Rhemoura			January 2023

* The third Exploration Phase under the Dussafu Marin Production Sharing Contract ("PSC") expired on 27 May 2016. The Ruche area Exclusive Exploitation Authorisation ("EEA") under the Dussafu Marin PSC was granted on 14 July 2014 and is effective from that date until ten years from the date of commencement of production. If, at the end of this ten-year term commercial exploitation is still possible from the Ruche area, the EEA shall be renewed at the contractor's request for a further period of five years. Subsequent to this, the EEA may be renewed a second time for a further period of five years.

** In process of being renewed.

Note 8.1: Production rights

USD 000	2020	2019
Acquisition cost		
At 1 January	28,876	31,082
Depreciation charge for the year	(2,401)	(2,206)
At 31 December	**26,475**	**28,876**

NOTE 9: TANGIBLE ASSETS

Note 9.1: Production Assets and Equipment

USD 000	2020	2019
Historical cost		
At 1 January	35,266	97,273
Additions	4,212	2,216
Disposal (Tullow back-in)	-	(1,934)
Adjustments to asset retirement estimates	1,426	587
Transfer to Assets Held for Sale	-	(62,876)
At 31 December	**40,904**	**35,266**
Accumulated impairment		
At 1 January	-	48,241
Transfer to Assets held for Sale	-	(48,241)
At 31 December	**-**	**-**
Accumulated depreciation		
At 1 January	4,287	7,420
Transfer to Assets held for Sale	-	(10,256)
Disposal (Tullow back-in)	-	(317)
Depreciation charge for the year	4,314	7,440
At 31 December	**8,601**	**4,287**
Net carrying value at 31 December	**32,303**	**30,979**

* Production assets at 31 December 2020 include capitalised borrowing costs of USD 252 thousand (31 December 2019: USD 309 thousand) relating to the BW Energy Non-Recourse loan for the Dussafu development.

Note 9.2: Impairment in Oil and Gas Interests

Dussafu, Gabon

The Group has a 7.4997% interest in the Dussafu Permit, offshore Gabon.

There was no impairment charges or reversals recognised in the year 2020. An impairment assessment was carried out in December 2020 at which time the total carrying value of Dussafu at 31 December 2020 was USD 44.5 million. The net recoverable value was determined on a Value in Use ('VIU') basis using a discounted cash flow model, which exceeded the carrying value. Present value of projected cash flows over the economic life of the asset were adjusted to risks specific to the asset and discounted using a discount rate of 12.5%. This discount rate was derived from the Group's estimate of discount rates that might be applied by active market participants and adjusted, where applicable, to take into account any specific risks relating to the region where the asset is located.

An impairment reversal of USD 8.1 million was recognised in 2019 in relation to the Group's interest in the Dussafu permit, offshore Gabon. This resulted from a positive revision in economic evaluations including an independent reserves upgrade, which attribute higher recoverable amounts on both 1P and 2P profiles and the sanction of Phase II of the development. The total carrying value for Dussafu at 30 June 2019 (at the time such assessment), after taking into account the impairment reversal was USD 36.1 million. The net recoverable value was determined on a Value in Use ('VIU') basis using a discounted cash flow model, which exceeded the carrying value at 30 June 2019, after taking into account the reversal. The reversal represents the entire eligible costs that had been impaired in previous years, adjusted for changes in the Group's ownership interest. Present value of projected cash flows over the economic life of the asset were adjusted to risks specific to the asset and discounted using a pre-tax discount rate of 12.5%. This discount rate was derived from the Group's estimate of discount rates that might be applied by active market participants and adjusted, where applicable, to take into account any specific risks relating to the region where the asset is located.

In determining VIU it is necessary to make a series of assumptions to estimate future cash flows including volumes, price assumption and cost estimates. Economically recoverable reserves and resources are based on NSAI and project plans based on Operator sourced information, supported by the evaluation work undertaken by appropriately qualified persons within the Joint Venture. The impairment test is most sensitive to the following assumptions: discount rates, oil and gas prices, reserve estimates and project risk. As of the date of the financial statements there is no expectation of possible changes in any of the above key assumptions that would cause the carrying value of the Dussafu asset to materially exceed its recoverable amount.

Sfax Offshore Exploration Permit, Tunisia

The Group has an interest in Sfax Offshore Exploration Permit (SOEP). Qualifying directly attributable costs have been capitalised as licence and exploration assets during the year following the Group's firm plan to drill an exploration well at the Salloum West prospect within SOEP to discharge the licence obligation.

TPS Assets, Tunisia

The Group completed the acquisition of its share of interest in TPS Assets, comprising of Cercina, Cercina Sud, Rhemoura, El Ain/Gremda and El Hajeb/Guebiba concessions in December 2018.

Current production is stable at around 4,700 barrels of oil per day gross.

Production from the TPS assets during 2020 amounted to 1.42 MMbbls gross, which is approximately 0.42 MMbbls net to Panoro.

In March 2021 GCA certified (3rd party) reserves and resources from the fields as of end December 2020. These gross reserves amount to 1P Proved Reserves of 8.6 MMbbls, 2P Proved plus Probable Reserves of 15.1 MMbbls and 3P Proved plus Probable plus Possible reserves of 21.6 MMbbls.

Based on a VIU analysis, performed using the profiles using third party reserves report and using the discount rate of 12.5% and long-term oil price assumption of USD 60/bbl, the resultant recoverable amounts exceed the current carrying value of the asset on the Group's balance sheet.

Therefore, no impairment has been recognised on the carrying value of the assets as at 31 December 2020.

OML 113 (Aje), Nigeria (Discontinued)

In 2019, the Company entered into a sale and purchase agreement with PetroNor E&P Limited ("PetroNor"), an exploration & production oil and gas company listed on the Oslo Axess, to divest all outstanding shares in its fully owned subsidiaries Pan-Petroleum Services Holding BV and Pan-Petroleum Nigeria Holding BV (together referred to as "Divested Subsidiaries") for an upfront consideration consisting of the allotment and issue of new PetroNor shares with a fixed value of USD 10 million (the "Share Consideration") plus a revised contingent consideration agreed in December 2020 of up to USD 16.67 million based on future gas production volumes. PetroNor has an option to pay a portion of the Share Consideration in cash.

Following agreement to sell the Divested Subsidiaries, the Group's interest in such subsidiaries have also been designated as Assets held for sale as of 31 December 2019. See Note 12: Discontinued Operations and assets held for sale.

At the date of designation for held for sale during 2019, an assessment was made to determine the fair value of the assets and liabilities of the Divested Subsidiaries. As a result, based on fair value less costs to sell principle, a reversal of historical impairment charges of USD 8 million on account of Aje has been made. The impairment reversal has been allocated in proportion of pre- reversal carrying value of licence and exploration assets and production assets and equipment.

Sensitivities to change in assumptions

In general, adverse changes in key assumptions could result in recognition of impairment charges. Since there are no charges during the year, the sensitivities have not been presented in these financial statements. The Group will continue to test its assets for impairment where indications are identified and may in future recognise impairment charges or reversals.

The breakdown of the net impairment (reversal)/expense for continuing operations is:

	2020				2019			
USD 000	Tunisia	Gabon	Corporate	**Total**	Tunisia	Gabon	Corporate	**Total**
Capitalised licenses, exploration and evaluation assets	-	-	-	**-**	-	(8,145)	-	**(8,145)**
Production assets and equipment	-	-	-	**-**	-	-	-	**-**
Total (reversal)/ charge for the year ended 31 December	**-**	**-**	**-**	**-**	**-**	**(8,145)**	**-**	**(8,145)**

Note 9.3: Property, Furniture, Fixtures and Equipment

2020

USD 000	Leasehold	Furniture, fixtures and fittings	Computer equipment	Right of use asset - London office	Total
Historical cost					
At 1 January 2020	55	815	666	946	2,482
Additions	-	15	-	-	15
Disposals and write-offs	(55)	-	(506)	-	(561)
At 31 December 2020	**-**	**830**	**160**	**946**	**1,936**
Accumulated depreciation					
At 1 January 2020	44	753	490	247	1,534
Depreciation charge for the year	-	30	19	198	247
Disposals and write-offs	(44)	-	(441)	-	(485)
At 31 December 2020	**-**	**783**	**68**	**445**	**1,296**
Net carrying value at 31 December 2020	**-**	**47**	**92**	**501**	**640**

2019

USD 000	Leasehold	Furniture, fixtures and fittings	Computer equipment	Right of use asset - London office	Total
Historical cost					
At 1 January 2019	55	784	494	-	1,333
Additions	-	31	172	-	203
Additions: implementation of IFRS 16 (Note 21)	-	-	-	946	946
At 31 December 2019	**55**	**815**	**666**	**946**	**2,482**
Accumulated depreciation					
At 1 January 2019	35	695	469	-	1,199
Depreciation charge for the year	9	58	21	247	335
At 31 December 2019	**44**	**753**	**490**	**247**	**1,534**
Net carrying value at 31 December 2019	**11**	**62**	**176**	**699**	**948**

Depreciation method and rates

Category	Straight-line depreciation	Useful life
Furniture, fixtures and fittings	10 - 33.33%	3 - 10 years
Computer equipment	20 - 33.33%	3 - 5 years

NOTE 10: ACCOUNTS AND OTHER RECEIVABLES

USD 000	2020	2019
Trade receivables	10,046	7,202
Receivable from Tullow for back-in	-	1,695
Other receivables and prepayments	811	475
At 31 December	**10,857**	**9,372**

Accounts receivables are non-interest bearing and generally on 30 to 120 days payment terms.

At 31 December 2020 and 2019, the allowance for impairment of receivables was USD Nil.

Risk information for the receivable balances is disclosed in Note 18: Financial risk management.

As at 31 December 2020 and 31 December 2019, other non-current assets amount to USD 0.1 million and relate to the tenancy deposit for the UK office premises.

NOTE 11: CASH AND BANK BALANCES

USD 000	2020	2019
Cash and cash equivalents	5,674	20,493
Cash held for Bank guarantee	9,960	9,960
At 31 December	**15,634**	**30,453**

The majority of Panoro's cash balance was denominated in NOK and USD and was held in different jurisdictions including Norway, Austria and Tunis.

Overdraft facilities

The Group had no bank overdraft facilities as at 31 December 2020 (31 December 2019: Nil).

Cash held for bank guarantee

During January 2019, the Tunisian Directorate General of Hydrocarbons advised that the Tunisian Consultative Hydrocarbons Committee had required Panoro Tunisia Exploration ("PTE", 60% owned by Panoro) to post a bank guarantee in relation to the drilling operations on SOEP, which will be released at successive operational stages commencing with the spudding of the well. Accordingly, the Group procured a bank guarantee of USD 16.6 million (USD 10 million net to Panoro) through its group company, PTE. This amount is classified restricted cash and disclosed under current assets as at 31 December 2020.

NOTE 12: DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

Discontinued operations

On 21 October 2019, the Company entered into a sale and purchase agreement with PetroNor E&P Limited ("PetroNor"), an exploration & production oil and gas company listed on the Oslo Axess, to divest all outstanding shares in its fully owned subsidiaries Pan-Petroleum Services Holding BV and Pan-Petroleum Nigeria Holding BV (together referred to as "Divested Subsidiaries") for an upfront consideration consisting of the allotment and issue of new PetroNor shares with a fixed value of USD 10 million (the "Share Consideration") plus a revised contingent consideration agreed in December 2020 of up to USD 16.67 million based on future gas production volumes. At 31 December 2020, the sale has not yet been completed due to delays related to the COVID-19 pandemic. The agreed long-stop date has been extended to 30 June 2021.

PetroNor has an option to pay a portion of the Share Consideration in cash. The sale transaction is conditional upon execution and completion of the agreements between PetroNor and YFP, the authorisation of the Nigerian Department of Petroleum Resources and the consent of the Nigerian Minister of Petroleum Resources. As a result, the operations of the Group's Divested Subsidiaries have been classified as discontinued operations under IFRS 5 in 2019 and 2020.

The results of the Nigerian segment presented as discontinued operations are as follows:

Amounts in USD 000, unless otherwise stated	2020	2019
Oil revenue	2,307	8,046
Total revenues	**2,307**	**8,046**
Operating costs	(4,820)	(7,525)
General and administrative costs	(157)	(143)
Depreciation, depletion and amortisation	-	(3,011)
(Impairment) / reversal of impairment for Oil and gas assets	-	8,000
EBIT - Operating income/(loss)	**(2,670)**	**5,367**
Interest costs net of income	(366)	(444)
Other financial costs net of income	(102)	(101)
Net income/(loss) before tax	**(3,138)**	**4,822**
Income tax benefit/(expense)	-	-
Net income/(loss) for the period from discontinued operations	**(3,138)**	**4,822**
EARNINGS PER SHARE		
Basic EPS on profit for the period attributable to equity holders of the parent (USD) from discontinued operations	(0.05)	0.08
Diluted EPS on profit for the period attributable to equity holders of the parent (USD) from discontinued operations	(0.05)	0.07

Assets held for sale:
The Group's interest in Divested Subsidiaries designated as Assets held for sale as of 31 December 2020 and 31 December 2019 are summarised below:

Carrying amount after allocation of impairment reversal *USD 000*	2020	2019
Assets held for sale		
Licence and exploration assets	12,179	12,179
Production assets and equipment	7,405	7,405
Crude oil inventory	812	1,294
Cash and cash equivalents	49	47
Total assets held for sale	**20,445**	**20,925**
Liabilities held for sale		
Decommissioning liability	(3,334)	(3,237)
Other non-current liabilities	(8,196)	(7,830)
Accounts payable, accruals and other liabilities	(119)	(99)
Other current liabilities	(7,262)	(5,209)
Total liabilities directly associated with assets classified as held for sale	**(18,911)**	**(16,375)**

NOTE 13: ASSET RETIREMENT OBLIGATION

In accordance with the agreements and legislation, the wellheads, production assets, pipelines and other installations may have to be dismantled and removed from oil and natural gas fields when the production ceases. The following table presents amounts of the estimated obligations associated with the retirement of oil and natural gas properties:

USD 000	Tunisia	Gabon	Nigeria	Total
At 1 January 2020	**16,698**	**2,213**	**-**	**18,911**
Unwinding of discount	496	84	-	580
Change in inflation and discount rate (estimate)	1,174	253	-	1,427
Change in cost estimate	-	546	-	546
Balance at 31 December 2020	**18,368**	**3,096**	**-**	**21,464**

At 1 January 2019	**17,049**	**1,531**	**2,159**	**20,739**
Unwinding of discount	479	89	102	670
Change in inflation and discount rate (estimate)	(830)	440	976	586
Disposal (Tullow back-in)	-	(246)	-	246
Change in cost estimate	-	399	-	399
Transferred to held for sale (Note 13)	-	-	(3,237)	3,237
Balance at 31 December 2019	**16,698**	**2,213**	**-**	**18,911**

All amounts are classified as Non-Current. The exact timing of the obligations is uncertain and depends on the rate the reserves of the field are depleted. However, based on the existing production profile of the assets, the following assumptions have been applied in order to calculate the liability:

It is expected that expenditure on retirement is likely to be after more than five years. The current bases for the provision at 31 December 2020 are a discount rate of 2.5% and an inflation rate of 2% (31 December 2019: 3% and 2% respectively). The Nigerian asset for the Group is designated as Discontinued operation and an asset held for sale as discussed in Note 12: Discontinued Operations and assets held for sale.

NOTE 14: SHARE CAPITAL

Share capital

Amounts in USD 000 unless otherwise stated	Number of shares	Nominal Share Capital
As at 1 January 2020	**68,799,858**	**458**
Share issue under RSU Plan (Note 15.3)	222,401	1
As at 31 December 2020	**69,022,259**	**459**

Note 14.1

Panoro Energy was formed through the merger of Norse Energy's former Brazilian business and Pan-Petroleum on 29 June 2010. The Company is incorporated in Norway and the share capital is denominated in NOK. The share capital given above is translated to USD at the foreign exchange rate in effect at the time of each share issue. All shares are fully paid-up and carry equal voting rights.

Note 14.2

In connection with the Company's Restricted Share Units Plan, announced on 24 June 2020, the Company issued 222,401 new shares to employees.

As of 31 December 2020, the Company had a registered share capital of NOK 3,451,113 divided into 69,022,259 shares, each with a nominal value of NOK 0.05 (31 December 2019: NOK 3,439,993 divided into 68,799,858 shares, each with a nominal value of NOK 0.05).

The Company's twenty largest shareholders and the shares owned by the CEO, Board Members and key management are referenced in the Parent Company Accounts below, please refer to Note 9: Shareholders' equity and shareholder information.

Reserves

Share premium

Share premium reserve represents excess of subscription value of the shares over the nominal amount.

Other reserves

Other reserves represent an item arising on accounting for the historical merger with Company's subsidiary Panoro Energy do Brasil Ltda.

Additional paid-in capital

Additional paid-in capital represents reserves created under the continuity principle on demerger. Share-based payments credit is also recorded under this reserve and so is the credit from reduction of share capital by reducing the par value of shares.

Currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

NOTE 15: ACCOUNTS PAYABLE, ACCRUALS AND OTHER LIABILITIES

USD 000	2020	2019
Accounts payable	6,020	1,555
Accrued and other liabilities	1,291	2,292
Other non-current liabilities	2,172	1,708
At 31 December	**9,483**	**5,555**

NOTE 16: SHARE BASED PAYMENTS

Restricted Share Unit ("RSU") scheme

At the Annual General Meeting held on 24 May 2018, the existing RSU scheme (as presented and approved in the 27 May 2015 Annual General Meeting), was approved for another three years up to the general meeting to be held in the year 2021. Under this approved employee incentive scheme, the Company may issue RSUs to executive and key employees. Awards under the RSU scheme will normally be considered one time per year and grant of share-based incentives will, in value (calculated at the time of grant), be capped to 100% of the annual base salary for the CEO and 50% of the annual base salary for other members of the executive management. One RSU will entitle the holder to receive one share of capital stock of the Company against payment in cash of the par value for the share. The total number of RSUs available for grant under the RSU program during the period from the 2018 Annual General Meeting and up to the Annual General Meeting in 2021 shall not exceed 5% of the number of shares outstanding as per the date of the 2018 Annual General Meeting (at which point in time the total number of shares in issue were 42,502,196). Grant of RSUs will be subject to a set of performance metrics with threshold and factors reviewed annually by the Board of Directors. Such metrics will be set as objectives based on sustained performance results including mostly share price increases and achievement of specific financial performance measures related to a group of oil and gas exploration and production peers that has been defined and adopted by a committee established by the Board.

The movement of RSUs during the year are tabled below:

	2020	2019
All amounts in Number of units, unless stated otherwise		
Outstanding RSUs as of 1 January	**878,808**	**708,723**
Add: Grants during the year	719,087	497,437
Less: Vested during the year		
- Settled in cash to cover taxes	(193,971)	(153,854)
- Settled through issue of new shares	(221,401)	(173,498)
Less: Terminated without vesting	(33,373)	-
Outstanding RSUs as of 31 December	**1,149,150**	**878,808**

The cash settlement of RSUs is the Board of Directors' unilateral decision and such settlement is only to cover employee withholding taxes originating from vesting of RSUs. The Company, at its discretion, may also elect to settle the RSUs by delivering equity shares purchased from the market.

In June 2020, 719,087 Restricted Share Units (RSU) were awarded under the Company's RSU scheme to key employees of the Company under the long-term incentive plan approved by the shareholders. One RSU entitles the holder to receive one share of capital stock of the Company against payment in cash of the par value of the share. The par value is currently NOK 0.05 per share. Vesting of the RSUs is time based. The standard vesting period is 3 years, where 1/3 of the RSUs vest after one year, 1/3 vest after 2 years and the final 1/3 vest after 3 years from grant. The Board of Directors, at its discretion can grant a non-standard vesting period which was the case in July 2019 where 1/3 units are vesting in June 2020 (the "First Tranche"), 1/3 vest after 1 year of the vesting of the First Tranche, and the final 1/3 vest after 2 years from vesting of the First Tranche.

RSUs vest automatically at the respective vesting dates, provided the unit holder continues to be an employee throughout the vesting period. The holder will be issued the applicable number of shares as soon as possible thereafter.

The Company calculates the value of share-based compensation using a Black-Scholes option pricing model to estimate the fair value of the RSUs at the date of grant. The estimated fair value of RSUs is amortised to expense over the respective vesting period. USD 0.8 million (2019: USD 0.8 million) has been charged to the statement of comprehensive income for the proportion of vesting during the respective years and the same amount credited to additional paid-in capital. Upon vesting, the settlement value is reversed from the additional paid-in capital.

The assumptions made for the valuation of the RSUs granted during the year is as follows:

Key assumptions	2020	2019
Weighted average risk-free interest rate	1.20%	1.50%
Dividend yield	Nil	Nil
Weighted average expected life of RSUs (vesting in Tranches)	1-3 years	1-3 years
Volatility range based on Company's historical share performance	61%	57%
Weighted average remaining contractual life of RSUs at year end	1.2 Years	1.2 years
Share price at grant date – per share	NOK 11.32	NOK 16.03

The weighted average fair value of RSUs granted during the period was NOK 11.32 per unit (2019: NOK 16.03 per unit) based on 719,087 units granted (2019: 497,437 units granted).

The following table illustrates the maturity profile and Weighted Average Exercise Price ("WAEP") of the RSUs outstanding as of 31 December and vesting:

	2020	2019	WAEP	2020	2019
	Number of Units		NOK/share	Exercise value in NOK	
Within 1 year	515,072	426,497	0.05	25,754	21,325
Between 1 and 2 years	394,382	286,500	0.05	19,719	14,325
Between 2 and 3 years	239,696	165,811	0.05	11,985	8,291
Total	**1,149,150**	**878,808**		**57,458**	**43,941**

As of the year ended 2020 the unvested RSUs were outstanding for 8 employees including key management personnel (2019: 9 employees).

The distribution of outstanding RSUs as of 31 December 2020 amongst the employees is as follows:

	No of Units	Exercise price NOK/share	Exercise period	Fair value expensed USD 000
John Hamilton, CEO	521,313	0.05	June 2021 to June 2023	428
Qazi Qadeer, CFO	167,426	0.05	June 2021 to June 2023	139
Other Named Executives (i)	312,608	0.05	June 2021 to June 2023	243

(i) Other Named Executives include Richard Morton (Technical Director) and Nigel McKim (Projects Director).

Under the RSU scheme in an event where there is a change of control, all outstanding RSUs will vest immediately, and the Company will cash settle by compensating the difference between the fair market value of the RSUs and the exercise value.

A change of control is defined in the RSU scheme terms and means (i) a change of control in the ownership of the Company which gives a person (individual or corporate) the right and the obligation to make a mandatory offer for all the shares in the Company pursuant to the Norwegian Securities Trading Act of 2007, (ii) if (i) is not applicable; a change of control in the ownership of the Company which gives a person (individual or corporate) ownership to or control over more than 50% of the votes in the Company, (iii) a merger in which the Company is not the surviving entity or (iv) a sale of all or substantially all of the Company's assets to another corporation, partnership or other entity that is not a wholly owned Subsidiary of the Company. In the case of (i) and (ii) above, the change of control is deemed to occur at the time when the relevant ownership or control occurs and in the case of (iii) and (iv) above at completion of the merger or the sale.

NOTE 17: FINANCIAL INSTRUMENTS

Fair values of financial assets and liabilities

The Group considers the carrying value of all its financial assets and liabilities to be materially the same as their fair value. The Group has no material financial assets that are past due. No material financial assets are impaired at the balance sheet date. All financial assets and liabilities with the exception of derivatives are measured at amortised cost.

Fair value of derivative instruments

All derivatives are recognised at fair value on the balance sheet with valuation changes recognised immediately in the income statement, unless the derivatives have been designated as a cash flow hedge. Fair value is the amount for which the asset or liability could be exchanged in an arm's length transaction at the relevant date. Where available, fair values are determined using quoted prices in active markets. To the extent that market prices are not available, fair values are estimated by reference to market-based transactions, or using standard valuation techniques for the applicable instruments and commodities involved.

During December 2018, the Group initiated a commodity hedging program to strategically hedge a portion of its 2P oil reserves to protect against a fall in oil prices and consequently, to protect the Group's ability to service its debt obligations and to fund operations including planned capital expenditure. The hedge instruments used include "zero cost collars" (where Panoro is guaranteed to receive no less than the buy/put price, but no more than the sell/call price for the hedged number of bbls) and "commodity swap" (where Panoro is guaranteed the contract price) contracts to protect the downside in 'Dated Brent' oil price.

These hedge contracts are initially recognised at Nil fair value and then revalued at each balance sheet date, with changes in fair value recognised as finance income or expense in the Statement of Comprehensive Income. The hedging program continues to be closely monitored and adjusted according to the Group's risk management policies and cashflow requirements. The Group continues to monitor and optimise its hedging programme on an on-going basis. The outstanding commodity hedge contracts as at the respective balance sheet dates presented were as follows:

Zero cost collar instruments	Remaining term	Remaining contract amount	Average contract price	Average contract price	Fair value Asset / (Liability)	Fair value Asset / (Liability)
		Bbls	Buy Put (USD/Bbl)	Sell Call (USD/Bbl)	Current (USD '000)	Non-Current (USD '000)
At 31 December 2019	Jan 20 - Dec 21	510,864	55	61	(888)	(106)
At 31 December 2020	**Jan 21 - Dec 21**	**243,432**	**55**	**61**	**1,380**	**-**

Commodity Swaps instruments	Maturity	Remaining contract amount	Average contract price	Fair value Asset / (Liability)
		Bbls	Settlement price ceiling (USD/Bbl)	Current (USD '000)
At 31 December 2019	Mar 20	24,000	61	(86)
At 31 December 2020	-	-	-	-

The fair values of the commodity price contracts were provided by the counterparty with whom the trades have been entered into. These consist of put and call options to sell/buy crude oil. The options are valued using a Black-Scholes based methodology. The inputs to these valuations include the price of oil, its volatility.

The following provides an analysis of the Group's financial instruments measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 which are observable for the asset or liability, either directly or indirectly; and
- Level 3: fair value measurements are those derived from valuation techniques which include inputs for the asset or liability that are not based on observable market data.

All the Group's derivatives are Level 2 (2019: Level 2). There were no transfers between fair value levels during the year. For financial instruments which are recognised on a recurring basis, the Group determines whether transfers have occurred between levels by re-assessing categorisation (based on the lowest-level input which is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTE 18: FINANCIAL RISK MANAGEMENT

Financial risk management objectives

The Group's principal financial liabilities comprise of loans and borrowings and trade and other financial liabilities. The main purpose of these financial instruments is to finance the Group's operations, including the Group's capital expenditure programme. The Group has various financial assets such as accounts receivable and cash.

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the Group's financial targets while protecting future financial security. The Group is exposed to the following risks:

- Market risk, including commodity price, foreign currency exchange and interest rate risks
- Credit risk
- Liquidity risk

Management reviews and agrees policies for managing each of these risks which are summarised below. The Group's policy is that all transactions involving derivatives must be directly related to the underlying business of the Group and does not use derivative financial instruments for speculative purposes.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements or prevailing market conditions and their impact on the future performance of a business or the ability to complete deals entered into. The primary commodity price risks that the Group is exposed to include oil prices that could adversely affect the value of the group's financial assets, liabilities or expected future cash flows. In accordance with the Group's financial risk management framework, the Group enters into various transactions using derivatives for risk management purposes. The major components of market risk are commodity price risk, foreign currency exchange risk and interest rate risk, each of which is discussed below.

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices (primarily crude oil) on the oil and gas it produces. The Group's policy is to manage these risks through the use of derivative financial instruments. The following table summarises the impact on profit before tax for changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on profit before tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading. The analysis is based on derivative contracts existing at the balance sheet date, the assumption that crude oil price moves 15% over all future periods, with all other variables held constant. Management believes that 15% is a reasonable sensitivity based on forward forecasts of estimated oil price volatility.

USD 000	Increase /(decrease) in profit before tax and equity	
	2020	2019
15% increase in the price of oil	(207)	162
15% decrease in the price of oil	207	(162)

Foreign currency exchange risk

The Company operates internationally and is exposed to risk arising from various currency exposures, primarily with respect to the Norwegian Kroner (NOK), the Tunisian Dinar (TND), and the Pound Sterling (GBP).

The Group has transactional currency exposures. Such exposure arises from sales or purchases in currencies other than the respective functional currency.

The Group 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.

Group companies are required to manage their foreign exchange risk against their functional currency.

The Group evaluates on a continuous basis to use cross currency swaps if deemed appropriate by management in order to hedge the forward foreign currency risk. The group used no currency derivatives/swaps during 2020 or 2019.

A 20% strengthening or weakening of the USD against the following currencies at the balance sheet dates presented would have increased / (decreased) equity and profit or loss by the amounts shown below.

The Group's assessment of what a reasonable potential change in foreign currencies that it is currently exposed to have been changed as a result of the changes observed in the world financial markets. This hypothetical analysis assumes that all other variables, including interest rates and commodity prices, remain constant.

USD 000	2020		2019	
USD vs NOK	20%	-20%	20%	-20%
Cash	17	(26)	(68)	102
Receivables	1	(1)	-	-
Payables	(2)	3	20	(30)
Net effect	**16**	**(24)**	**(48)**	**72**
USD vs TND	20%	-20%	20%	-20%
Cash	3	(5)	57	(86)
Receivables	796	(1,194)	428	(610)
Corporation taxes payable	(192)	288	(846)	1,269
Payables	(1,028)	1,542	(83)	125
Net effect	**(421)**	**631**	**(444)**	**698**
USD vs EUR	20%	-20%	20%	-20%
Cash	5	(8)	8	(12)
Receivables	1	(1)	2	(3)
Payables	(32)	47	(17)	25
Net effect	**(26)**	**38**	**(7)**	**10**
USD vs GBP	20%	-20%	20%	-20%
Cash	43	(65)	(19)	28
Receivables	(60)	90	(24)	36
Payables	(87)	130	101	(152)
Net effect	**(103)**	**154**	**58**	**(88)**

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and borrowings and cash balances.

The following table demonstrates the sensitivity of finance revenue and finance costs to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on fixed rate short-term deposits and applicable floating rate bank loans.

USD 000	2020		2019	
	+100bps	-100bps	+100bps	-100bps
Loans and borrowings (Senior secured facility)	(85)	85	(170)	170
Cash equivalents	1	(1)	110	(110)
Net effect	**(84)**	**84**	**(60)**	**60**

Credit risk

The Group is exposed to credit risk that arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. Any change of financial institutions (except minor issues) are approved by the Group CFO. The Company may engage with counterparties of a lower rating, for commercial reason, or by taking lower exposures in such counterparties to mitigate the risks following necessary approvals.

If the Group's customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control in the operating units assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored and kept within approved budgets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2020 based on contractual undiscounted payments.

2020

USD 000	On demand	Less than 1 year	Between 2 to 5 years	Over 5 years	Total
Loans and borrowings (Senior secured facility)	-	4,424	9,900	-	**14,324**
Loans and borrowings (Non-recourse loan)	-	4,133	3,078	-	**7,211**
Accounts payable and accrued liabilities	-	6,020	-	-	**6,020**
Non-current liabilities	-	-	363	1,809	**2,172**
Corporation tax liabilities	-	1,302	-	-	**1,302**
Total	**-**	**15,879**	**13,341**	**1,809**	**31,029**

2019

USD 000	On demand	Less than 1 year	Between 2 to 5 years	Over 5 years	Total
Loans and borrowings (Senior secured facility)	-	3,952	13,380	-	**17,332**
Loans and borrowings (Non-recourse loan)	-	4,729	3,380	-	**8,109**
Accounts payable and accrued liabilities	-	1,555	-	-	**1,555**
Non-current liabilities	-	-	-	654	**654**
Corporation tax liabilities	-	4,991	-	-	**4,991**
Total	**-**	**15,227**	**16,760**	**654**	**32,641**

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current and non-current liabilities.

As of 31 December 2020, the Group's total debt was USD 21.5 million. The Group closed the year with a cash position of USD 15.6 million, including USD 10 million held for the SOEP guarantee.

In addition to Dussafu capex, the Company is committed to a drilling obligation of one well on SOEP in Tunisia. At the request of the Tunisian authorities to demonstrate financial capacity, in in January 2019, Panoro Tunisia Exploration AS issued a bank guarantee of USD 16.6 million (Panoro's net share is USD 10 million). Although the Company is well funded to undertake upcoming work programme, there is risk that additional funding may be required to conclude such activities.

Capital Management

The Group manages its capital structure to ensure that it remains sufficiently funded to support its business strategy and maximise shareholder value. In order to maintain or change the capital structure, the Group may adjust the amount of dividend payments to shareholders, return capital to shareholders or issue new shares.

The Group's funding requirements are met through a combination of debt and equity and adjustments are made in light of changes in economic conditions. The Group's strategy is to maintain ratios in line with covenants associated with its Senior Secured loan. The Group includes interest bearing loans less cash, cash equivalents and restricted cash in net debt. Capital includes share capital, share premium, other reserves and accumulated profits/losses.

The Group is continuously evaluating the capital structure with the aim of having an optimal mix of equity and debt capital to reduce the Group's cost of capital and looking at avenues to procure that in the forthcoming year.

NOTE 19: GUARANTEES, PLEDGES AND CONTINGENT LIABILITIES

Brazil

The Company has provided a performance guarantee to the Brazilian directorate Agência Nacional do Petróleo,Gás Natural e Biocombustíveis (the "ANP"),, in terms of which the Company is liable for the commitments of Coral. Estela do Mar and Cavalo Marinho licenses in accordance with concession agreements. The guarantee is unlimited.

Further, in Brazil, termination agreements for the surrender of all licences have been signed between the JV partners and the ANP to conclude the relinquishment formalities on each licence and as

such the guarantee no longer has a significant exposure to the Company.

The Company's formal exit from its historical Brazilian business is still ongoing with slow progress towards the approval of abandonment by the Brazilian regulators. Management is working actively with advisers and where relevant, the operator Petrobras, to bring matters to a close and to ensure that the ongoing costs are kept to a minimum. However, the timing and eventual costs of such conclusion is uncertain at this stage.

UK

Under section 479A of the UK Companies Act 2006; four of the Company's indirect subsidiaries Panoro Energy Limited (Registration number: 6386242), African Energy Equity Resources Limited (Registration number: 5724928) and Panoro TPS (UK) Production Limited (Registration number: 11790067) and Panoro 2B Limited (Registration number: have availed exemption for audit of their statutory financial statements pursuant to guarantees issued by the Company to indemnify the subsidiaries of any losses towards third parties that may arise in the financial year ended 31 December 2020 in such Companies. The Company can make an annual election to support such guarantee for each financial year.

Gabon

The Company has a guarantee issued to the State of Gabon to fulfil all obligations under the Dussafu Production Sharing Contract.

There is no potential claim against these performance guarantee and all license obligations are already accounted for in the statement of financial position.

Other

The Company has issued a parent company guarantee in favour of Mercuria Assets Holdings (Hong Kong) Ltd. to guarantee the obligations of Panoro Tunisia Production AS as borrower. Further details can be found in Note 5: Finance income, interest expense and other charges.

As part of the farm-in transaction in Block 2B offshore South Africa, on 24 February 2020 the Company entered into deed of guarantee (the "Farmee Guarantee") with Thombo Petroleum Limited whereby the Company has guaranteed all obligations of Panoro 2B Limited (a wholly owned subsidiary) to Thombo Petroleum Limited under the farmout agreement of the same date. In addition, on 24 February 2020 Panoro entered into deed of guarantee with Thombo Petroleum Limited, Panoro 2B Limited and African Energy Corporation whereby the Company guarantee all obligations of Panoro 2B Limited under the farm out agreement, and under the petroleum authorisation as set out in the Farmee Guarantee.

NOTE 20: LEASES

IFRS 16 Leases implementation

This disclosure note presents the implementation on 1 January 2019 of the impact of the new accounting standard IFRS 16 Leases.

The new standard defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In the financial statement of lessees, IFRS 16 requires recognition in the balance sheet for each contract that meets its definition of a lease as right-of-use (RoU) asset and a lease liability, while lease payments are reflected as interest expense and a reduction of lease liabilities. The RoU assets are depreciated over the shorter of each contract's term and the assets useful life. IFRS 16 has replaced IAS 17 Leases, under which only leases considered to be financing were capitalised while operating leases were expensed as incurred and reported as off-balance commitments.

Following a detailed review of Panoro's contractual commitments across its portfolio, the only contract identified for the Group as requiring accounting under IFRS 16 was the lease of the Panoro's offices in London.

Upon implementation of IFRS 16, the following main implementation and application policy choices were made by Panoro:

IFRS 16 transition choices

- Panoro adopted the modified retrospective approach, which requires no restatement of comparative information. As permitted under this modified retrospective implementation approach, the Group also applied a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group applied these practical expedients.
- Panoro applied the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 and therefore did not apply the standard to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC 4. For leases previously classified as operating leases under IAS 17, the lease liabilities at the date of initial application were measured as the present value of the reasonably certain remaining lease payments. The discount rate applied was the incremental borrowing rate at that date. The right-of-use assets were measured at an amount equal to the lease liability.
- Leases for which the lease term ended within 12 months of 1 January 2019 were not be reflected as leases under IFRS 16.
- Right-of-use assets were initially be reflected at an amount equal to the corresponding lease liability.

IFRS 16 policy application choices

- Short term leases (12 months or less) and leases of low value assets are not reflected in the balance sheet but expensed or (if appropriate) capitalised as incurred, depending on the activity in which the leased asset is used. The Group has leases of certain office equipment (i.e., personal computers, printing- and photocopying machines, coffee machines) that are considered of low value.
- Non-lease components within lease contracts are accounted for separately for all underlying classes of assets and reflected in the relevant cost category or (if appropriate) capitalised as incurred, depending on the activity involved.

Impact of IFRS 16 on the consolidated balance sheet

With the transition and application choices above, the non-cancellable period for the London office lease contract was deemed to be 18 months to June 2018. Therefore, initial implementation of IFRS 16 on 1 January 2019 increased the Consolidated balance sheet by adding lease liabilities of USD 315 thousand (under non-current assets) and right of use assets (under property, furniture, fixtures and fittings) of USD 315 thousand. Panoro's equity was not impacted by the implementation of IFRS 16.

Impact of IFRS 16 on the consolidated statement of income

Under IFRS 16, lease costs consist of interest expense on the lease liability, presented within Interest expense and other financial expenses, and depreciation of right of use assets, presented within Depreciation, amortisation and net impairment losses. Under IAS 17, these were treated as operating leases and the related payments were expensed.

Impact of IFRS 16 on the Consolidated statement of cash flows

In the cash flow statement, down-payment of lease liabilities are presented as a cash flow used in financing activities under IFRS 16, while interests are presented within cash flow used in operating activities. Under IAS 17, operating lease costs were presented within cash flows from operations or investing cash flows respectively, depending on whether the leased asset is used in operating activities or activities being capitalised. Consequently, cash flows from operating activities will increase, cash flow used in investing activities will decrease and cash flow used in financing activities will increase due to the implementation of IFRS 16.

Determining the incremental borrowing rate to be used as discount factor

In establishing Panoro's lease liabilities, the incremental borrowing rates used as discount factors in discounting payments have been established based on a consistent approach reflecting the Group's borrowing rate, the currency of the obligation, the duration of the lease term, and the credit spread for the legal entity entering into the lease contract. The London office lease contract was extended in December 2019 and the reasonably certain non-cancellable period was extended to June 2023. The liability and the right of use asset was reassessed and an incremental rate of return of 8.5% per annum was deemed appropriate.

As noted above, Panoro leases certain assets, notably office facilities for operational activities. Panoro is mostly a lessee and the use of leases serves operational purposes rather than as a tool for financing. These lease liabilities are recognised on a gross basis in the balance sheet, income statement and statement of cash flows when Panoro is considered to have the primary responsibility for the full lease payments.

Information related to lease payments and lease liabilities

Lease liability is classified as current or non-current depending on maturity profile at balance sheet date. At 31 December 2020, USD 216 thousand was current and USD 362 thousand was non-current (31 December 2019: USD 133 thousand and USD 546 thousand respectively).

USD 000	2020	2019
Lease liability recognised at 1 January	679	315
Add: new leases, including remeasurements and cancellations	-	611
Add: lease interest	55	5
Less: gross lease payments	(156)	(252)
Lease liability at 31 December	**578**	**679**

The following table shows the maturity profile of lease liabilities based on contractual undiscounted lease payments.

USD 000	2020	2019
Within 1 year	187	156
2 to 5 years	233	407
After 5 years	-	-
Lease liability at 31 December	**420**	**563**

Information related to right of use assets

The right of use assets are included within the line item Property, plant and equipment in the Consolidated balance sheet. See

Note 9: Tangible Assets.

USD 000	2020	2019
Right of use asset recognised at 1 January	699	315
Add: new leases, including remeasurements and cancellations	-	631
Less: depreciation and impairment	(198)	(247)
Net book value of right of use asset at 31 December	**501**	**699**

NOTE 21: RELATED PARTIES TRANSACTIONS

Details of related party transactions are set out in the parent stand-alone financial statements, Note 8: Related party transactions and balances.

NOTE 22: SUBSIDIARIES

Details of the Group's subsidiaries as of 31 December 2020 are as follows:

Subsidiary	Place of incorporation and ownership	Ownership interest & voting power
Panoro Energy do Brasil Ltda	Brazil	100%
Panoro Energy Limited	UK	100%
African Energy Equity Resources Limited	UK	100%
Panoro 2B Limited	UK	100%
Pan-Petroleum (Holding) Cyprus Limited	Cyprus	100%
Pan-Petroleum Holding B.V.	Netherlands	100%
Pan-Petroleum Gabon B.V.	Netherlands	100%
Panoro Energy Holding B.V. (formerly Pan-Petroleum Gabon Holding B.V.)	Netherlands	100%
Pan-Petroleum Nigeria Holding B.V.	Netherlands	100%
Pan-Petroleum Services Holding B.V.	Netherlands	100%
Pan-Petroleum AJE Limited	Nigeria	100%
Energy Equity Resources AJE Limited	Nigeria	100%
Energy Equity Resources Oil and Gas Limited	Nigeria	100%
Syntroleum Nigeria Limited	Nigeria	100%
PPN Services Limited	Nigeria	100%
Energy Equity Resources (Cayman Islands) Limited	Cayman Islands	100%
Energy Equity Resources (Nominees) Limited	Cayman Islands	100%
Panoro Energy Gabon Production SA	Gabon	100%
Sfax Petroleum Corporation AS	Norway	60%
Panoro Energy AS	Norway	60%
Panoro Tunisia Exploration AS	Norway	60%
Panoro Tunisia Production AS	Norway	60%
Panoro TPS Production GmbH	Austria	60%
Panoro TPS (UK) Production Limited	UK	60%

NOTE 23: EVENTS SUBSEQUENT TO REPORTING DATE

USD 70 million Private Placement

On 10 February 2021, Panoro announced that it had successfully raised USD 70 million (equivalent to approximately NOK 593 million) in gross proceeds through the Private Placement of 38,276,451 new shares in the Company, the net proceeds of which used to partially finance the acquisitions in Equatorial Guinea and Gabon, as described below, along with related fees and expenses as well as for general corporate purposes.

Block G, Equatorial Guinea (EG Acquisition)

On 31 March 2021, Panoro completed the acquisition of 100% of the shares of Tullow Equatorial Guinea Limited ("TEGL") from Tullow Overseas Holdings B.V. ("EG Seller"), a fully owned subsidiary of Tullow Oil plc, for an initial cash consideration of USD 88.8 million. TEGL holds a 14.25% non-operated WI in Block G that contains the Ceiba and Okume Complex assets, offshore Equatorial Guinea (the "EG Assets"). The EG Assets comprise six producing oil fields in water depths of 50-850 metres, approximately 35 kilometres from shore. The EG Assets hold net WI 2P reserves of 14.2 MMbbls and net WI 2C resources of 25.6 MMbbls as of 30 June 2020. Current net production is approximately 4,500 bopd, with a potential to grow - close to 8,000 bopd net in 2023-25 driven by facility upgrades, well workovers, perforation of behind pipe zones and infill drilling.

In addition to the initial cash consideration of USD 88.8 million, as per the terms of acquisition agreement, EG Seller will also be entitled to a USD 5 million deferred consideration payable within 2 business days of completion of the Dussafu Acquisition as described below. EG Seller is also entitled to a potential contingent consideration of up USD 16 million, in aggregate, payable only in years where the average annual net production of the acquired interests is in excess of 5,500 bopd. Once this initial net production threshold has been reached, in that year, and for the four consecutive subsequent annual periods, annual contingent consideration of USD 5.5 million will be payable to EG Seller provided that the production threshold is met in such annual period and the average daily Dated Brent oil prices in respect of the annual period is in excess of USD 60/bbl, subject to the aforementioned cap of USD 16 million.

Due to the recent completion of this acquisition, the initial accounting for this business combination was incomplete at the time this report was published. Full disclosure will therefore be provided in subsequent reports in 2021.

Dussafu Acquisition

On 9 February 2021, Panoro and its fully owned subsidiary Pan Petroleum Gabon BV, entered into an agreement with Tullow Oil plc and Tullow Oil Gabon SA to acquire a 10% WI in the Dussafu Marin Permit, offshore Gabon for an initial cash consideration of USD 46 million based on an effective date of 1 July 2020 which is subject to customary working capital and other customary adjustments to be made at completion. Panoro currently holds 7.5% WI in Dussafu and upon completion of the Dussafu Acquisition, the Company will increase its WI to 17.5%. Following completion of the Dussafu Acquisition, which is expected in Q2 2021, Panoro's net WI 2P reserves at Dussafu will be approximately 19 MMbbls, and net WI production from the field is expected to increase from 1,200 bopd to approximately 2,800 bopd.

The consideration for the Dussafu Acquisition consists of an initial cash consideration of USD 46 million (to be adjusted at completion for working capital and other customary adjustments) and a contingent consideration of up to USD 24 million (the "Dussafu Contingent Consideration") which may be payable once commercial production commences on Hibiscus and Ruche and achieves daily production equal to or greater than 33,000 bopd gross over any 60-day continuous period. Once this milestone has been met, annual contingent consideration will apply to that year and to each of the subsequent four years where the average daily

Dated Brent oil price is in excess of USD 55 per barrel, subject to the USD 24 million cap. Where the oil price threshold has been met, the Dussafu Contingent Consideration payable for that year will be based on 15% of net free cashflow after all taxes, operating and capital costs from the acquired 10% WI. The contingent payment will be capped for any year at USD 5 million.

Funding of Acquisitions

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

The loan has been made available in two tranches, Tranche A of up to USD 55 million in respect of the EG Acquisition and Tranche B of up to USD 27 million in respect of the Dussafu Acquisition, increasing to up to USD 35 million following the completion of the EG Transaction. Tranche A and Tranche B can be drawn separately and are not conditional on each other. Each loan will amortise over a period of 5 years and carries an annual interest rate of 3M LIBOR plus 7.5%. An accordion option for an additional USD 50 million is included alongside and in addition to the acquisition finance facilities.

Trafigura is also providing; (i) in addition to the acquisition financing facilities, a working capital facility of up to USD 20 million to address the irregular nature of crude liftings; and (ii) crude oil marketing.

NOTE 24: RESERVES (UNAUDITED)

The Group has adopted a policy of regional reserve reporting using external third-party companies to audit its work and certify reserves and resources according to the guidelines established by the Oslo Stock Exchange ("OSE"). Reserve and contingent resource estimates comply with the definitions set by the Petroleum Resources Management System ("PRMS") issued by the Society of Petroleum Engineers ("SPE"), the American Association of Petroleum Geologists ("AAPG"), the World Petroleum Council ("WPC") and the Society of Petroleum Evaluation Engineers ("SPEE") in June 2018. Panoro uses the services of Gaffney, Cline & Associates ("GCA"), Netherland Sewell & Associates ("NSAI") and AGR TRACS International Limited for 3rd party verifications of its reserves.

Please refer to the Annual Statement of Reserves on page 21 for details.

FOR THE YEAR ENDED 31 DECEMBER

USD 000	Note	2020	2019
Operating income			
Operating revenues		-	-
Total operating income		-	-
Operating expenses			
General and administrative expense		(1,281)	(720)
Impairment of investments in subsidiary	2,6	(45)	(190)
Impairment of loan to subsidiaries	2,7,8	(173)	-
Total operating expenses		(1,499)	(910)
Operating result	2	(1,499)	(910)
Financial income	3	10,928	10,234
Interest and other finance expense	3	(2)	(112)
Currency gain / (loss)		(16)	253
Result before income taxes		9,411	9,465
Income tax	5	-	-
Result for the year		9,411	9,465
Earnings per share (basic and diluted) - USD	4	0.14	0.15

The annexed notes form an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER

USD 000	Note	2020	2019
Non-current assets			
Investment in subsidiaries	6	18,003	18,003
Total non-current assets		**18,003**	**18,003**
Current assets			
Loans to subsidiaries	8	82,523	63,023
Other current assets		-	1
Cash and cash equivalents		1,082	11,414
Total current assets		**83,605**	**74,438**
TOTAL ASSETS		**101,608**	**92,441**
EQUITY			
Paid-in capital			
Share capital	9	459	458
Share premium reserve	9	349,446	349,192
Additional paid-in capital	9	122,055	122,055
Total paid-in capital		**471,960**	**471,705**
Other equity			
Other reserves	9	(374,989)	(384,400)
Total other equity		**(374,989)**	**(384,400)**
TOTAL EQUITY		**96,971**	**87,305**
Current liabilities			
Accounts payable		478	58
Intercompany payables	8	4,138	4,677
Other current liabilities	10	21	401
Total current liabilities		**4,637**	**5,136**
TOTAL LIABILITIES		**4,637**	**5,136**
TOTAL EQUITY AND LIABILITIES		**101,608**	**92,441**

The annexed notes form an integral part of these financial statements

FOR THE YEAR ENDED 31 DECEMBER

USD 000	Note	2020	2019
Net income / (loss) for the year		9,411	9,465
Adjusted for:			
Impairment of investment in subsidiary	6	45	190
Provision for Doubtful Receivables	7,8	173	-
Financial Income	3	(10,928)	(10,234)
Financial Expenses	3	2	112
Foreign exchange gains/losses		16	(253)
(Increase)/decrease in trade and other receivables		1	11
Increase/(decrease) in trade and other payables		40	(433)
Increase/(decrease) in intercompany payables		(539)	(110)
Net cash flows from operating activities		**(1,779)**	**(1,252)**
Cash outflow relating to acquisitions		(45)	-
Loans to subsidiaries		(8,745)	(19,321)
Net proceeds from loans to subsidiaries		-	5,140
Net cash flows from investing activities		**(8,790)**	**(14,181)**
Net proceeds from Equity Private Placement and Treasury Shares		255	16,138
Interest paid		(2)	(112)
Interests received		-	19
Net cash flows from financing activities		**253**	**16,045**
Effect of foreign currency translation adjustment on cash balances		(16)	253
Net increase in cash and cash equivalents		**(10,332)**	**865**
Cash and cash equivalents at the beginning of the year		11,414	10,549
Cash and cash equivalents at the end of financial year		**1,082**	**11,414**

The annexed notes form an integral part of these financial statements.

NOTE 1: ACCOUNTING PRINCIPLES

The annual accounts for the parent company Panoro Energy ASA (the "Company") are prepared in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. The consolidated financial statements have been prepared under International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and are presented separately from the parent company.

The accounting policies under IFRS are described in the consolidated financial statements in Note 2: Basis of preparation. The accounting principles applied under NGAAP are in conformity with IFRS unless otherwise stated in the notes below.

The Company's annual financial statements are presented in US Dollars (USD) and rounded to the nearest thousand, unless otherwise stated. USD is the currency used for accounting purposes and is the functional currency. Shares in subsidiaries and other shares are recorded in Panoro Energy ASA's accounts using the cost method of accounting and reduced by impairment, if any.

NOTE 2: GENERAL AND ADMINISTRATIVE EXPENSES

Operating result

Operating result is stated after charging / (crediting):

USD 000	2020	2019
Employee benefits expense (Note 2.1)	12	29
Impairment of investment in subsidiary (Note 6)	45	190
Impairment of Intercompany Loans (Note 7)	173	-

2.1: Employee benefits expense

a) Salaries

The Company had no employees at 31 December 2020 and 2019. As such, there are no wages and salaries included in general and administrative expenses.

Employee related expenses:

USD 000	2020	2019
Employer's contribution to payroll taxes	12	29
Total	**12**	**29**

Details of CEO and CFO remuneration of CEO and CFO are set out in the consolidated financial statements, Note 4: Operating Result. Employer's contribution relates to the employer's tax payable on the Company's Board of Directors' fees.

b) Directors' remuneration

The Group financial statements contain detail on how directors' remuneration is determined in Note 4: Operating Result.

Remuneration to members of the Board of Directors is summarised below:

USD 000	2020	2019
Julien Balkany (Chairman of the Board)	66	64
Torstein Sanness (Deputy Chairman)	47	43
Alexandra Herger	40	39
Garrett Soden	40	39
Hilde Ådland	40	39
Total	**233**	**224**

No loans have been given to, or guarantees given on the behalf of, any members of the Management Group, the Board or other elected corporate bodies.

No pension benefits were received by the Directors during 2020 and 2019.

There are no severance payment arrangements in place for the Directors.

c) Pensions

The Company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("Lov om obligatorisk tjenestepensjon"). The Company contributes to an external defined contribution scheme and therefore no pension liability is recognised in the balance sheet.

d) Auditor

Fees (excluding VAT) to the Company's auditors are included in general and administrative expenses and are shown below.

USD 000	2020	2019
Ernst & Young		
Statutory audit	-	-
Tax services	-	-
Total	-	-

The consolidated Financial Statements contain details of fees paid to the Group's auditors in Note 4: Operating Result on page 45. Audit fees for 2020 have been billed to a wholly owned subsidiary based in the UK, Panoro Energy Limited and recharged to the Parent Company and respective group companies.

e) Restricted Share Unit ("RSU") scheme

Details of the RSU scheme are set out in the consolidated Financial Statements, Note 16: Share based payments.

NOTE 3: FINANCIAL ITEMS

The financial expense breakdown is below:

USD 000	2020	2019
Interest income from subsidiaries	10,872	10,215
Other interest income	56	19
Total	**10,928**	**10,234**

Interest income from subsidiaries represents an interest on the intercompany loans. Note 8: Related party transactions and balances contains further information on these balances.

The financial expense breakdown is below:

Expense

USD 000	2020	2019
Bank and other financial charges	2	112
Total	**2**	**112**

NOTE 4: EARNINGS PER SHARE

Basic earnings per share

USD 000 unless otherwise stated	**2020**	2019
Net result for the period	9,411	9,465
Weighted average number of shares outstanding - in thousands	68,912	63,523
Basic and diluted earnings per share – (USD)	**0.14**	**0.15**

Diluted earnings per share

When calculating the diluted earnings per share, the weighted average number of shares outstanding is normally adjusted for all dilutive effects relating to the Company's options.

NOTE 5: INCOME TAX

USD 000	2020	2019
Tax payable	-	-
Change in deferred tax	-	-
Income tax expense	-	-

USD 000	2020	2019
Result before income tax	**9,411**	**9,465**
Effect of permanent differences	(103)	(23)
Tax losses utilised	(9,308)	(9,442)
Basis for tax payable	-	-

USD 000	2020	2019
Losses carried forward	21,178	30,863
Taxable temporary differences	-	-
Basis for tax payable	**21,178**	**30,863**
Calculated deferred tax asset (22% for 2020 and 2019)	4,659	6,790
Unrecognised deferred tax asset	(4,659)	(6,790)
Deferred tax recognised on balance sheet	-	-

The tax losses carried forward are available indefinitely to offset against future taxable profits. The tax losses per return for the year ended 31 December 2019 was NOK 272 million (USD 30.9 million at 2020 closing exchange rate) whereas the provisional accumulated tax loss as of the end of 2020 is calculated at NOK 180 million.

The deferred tax asset is not recognised on the balance sheet due to uncertainty of future income.

NOTE 6: INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are carried at the lower of cost and fair market value. As at 31 December 2020, the carrying value of the investment in subsidiaries was USD 18.0 million (31 December 2019: USD 18 million) the holdings in subsidiaries consist of the following:

	Headquarters	Ownership interest and voting rights
Panoro Energy do Brasil Ltda (PEdB)	Rio de Janeiro, Brazil	100%
Pan-Petroleum (Holding) Cyprus Ltd (PPHCL)	Limassol, Cyprus	100%
Panoro Energy Holding B.V. (previously Pan-Petroleum Gabon Holding B.V.) (PEHBV)	Amsterdam, Netherlands	100%
Pan-Petroleum Nigeria Holding B.V. (PPNHBV)	Amsterdam, Netherlands	100%
Pan-Petroleum Services Holding B.V. (PPSHBV)	Amsterdam, Netherlands	100%
Panoro 2B Limited (P2BL)	London, UK	100%
Sfax Petroleum Corporation AS	Oslo, Norway	60%

USD 000	PEdB	PPHCL	PEHBV	PPNHBV	PPSHBV	P2BL	SFAX Petroleum	Total
At 1 January 2020	95,602	129,106	-	-	-	-	18,003	242,711
Investments during the year	45	-	-	-	-	-	-	45
At 31 December 2020	**95,647**	**129,106**	**-**	**-**	**-**	**-**	**18,003**	**242,756**
At 1 January 2020	(95,602)	(129,106)	-	-	-	-	-	(224,708)
Charge for the year	(45)	-	-	-	-	-	-	(45)
At 31 December 2020	**(95,647)**	**(129,106)**	**-**	**-**	**-**	**-**	**-**	**(224,753)**
Total investment in subsidiaries at 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**	**18,003**	**18,003**
Total investment in subsidiaries at 31 December 2019	-	-	-	-	-	-	18,003	18,003

Impairment of the Investment represents loss in value of the Company's investment in shares of Panoro Energy do Brasil Ltda of USD 0.1 million for 2020 and 2019. The impairment has been determined by comparing estimated recoverable value of the underlying investment with the carrying amount.

NOTE 7: PROVISION FOR DOUBTFUL RECEIVABLES

Provision for doubtful receivables owed from loans provided to subsidiaries, is USD 173 thousand (2019: USD nil) related to uncollectible loan provision reflective of the dormant nature of subsidiary, Pan-Petroleum Holding B.V.

NOTE 8: RELATED PARTY TRANSACTIONS AND BALANCES

During 2020, the Company has entered into an agreement with Africa Energy Corp. ("AEC") in relation to farming-in of 12.5% working interest in Block 2B, offshore South Africa. Mr. Garrett Soden, the Company's non-executive director, holds the position of CEO in AEC, and is also a Director. All decisions taken by the Company in relation to the Block 2B transaction was without any involvement from Mr. Soden and as such the transaction terms were negotiated at arm's length in a competitive process undertaken by AEC to farm-out their interest in the block.

As the ultimate parent company, the Company routinely provides funding to companies within the Group to support operations. The Company also receives technical and management services from its indirect subsidiary, Panoro Energy Limited. The cost of these services is then recharged to the relevant subsidiaries. In addition, the Company also has routine trading accounts and balances with other Companies in the Group.

The Company had the following loans receivable from its subsidiaries at 31 December 2020:

- USD 45.4 million due from its Dutch subsidiary, Pan-Petroleum Gabon B.V, classified as current (31 December 2019: USD 34.3 million). This loan carries an interest rate of 10% and is repayable on demand. Included in these balances are recharges receivable for technical and management services provided during the year amounting to USD 2.2 million (2019: USD 2 million) which are non-interest bearing with no set maturity.
- USD 21.9 million due from its Nigerian subsidiary Pan-Petroleum Aje Limited, classified as current (31 December 2019: USD 17.8 million). This loan carries an interest rate of 10% and is repayable on demand. Included in these balances are recharges receivable for technical and management services provided during the year amounting to USD 0.6 million (2019: USD 1 million) which are non-interest bearing with no set maturity.
- USD 9.7 million due from its Norwegian jointly controlled entity, Sfax Petroleum Corporation AS ("Sfax") (60% owned) (31 December 2019: USD 7.2 million). Panoro Energy ASA (60%) and Beender Petroleum Corporation (40%) ("Beender") provides loans to Sfax which are non-interest-bearing with maturity dates of 31 January 2025 to fund its operations, in proportion to their respective shareholding.

The Company had the following non-interest-bearing payable balances to companies within the Group at 31 December 2019:

- Payable balances on account of intercompany recharges were USD 3.2 million (2019: USD 3.6 million) owed to Company's indirect subsidiary Panoro Energy Limited, which provides technical services to the Group.
- Payable balance to the Company's subsidiary, Pan-Petroleum (Holding) Cyprus Limited was USD 0.9 million (2019: USD 1.1 million).

Panoro Energy ASA also provides management services to the other companies in the Group under service agreements. The total balances receivable from Group companies for services provided under service agreement and for normal operational purposes at 31 December 2020 were:

- Sfax Petroleum Corporation AS (60% owned); total USD 1.4 million, of which USD 0.2 million related to management and technical services provided during the year
- USD 0.3 million from Panoro Energy AS (60% owned), of which USD Nil related to management and technical services provided during the year
- USD 0.8 million from Panoro Tunisia Exploration AS (60% owned), of which 0.1 million related to the management and technical services provided during the year
- USD 0.3 million from Panoro Tunisia Production AS (60% owned), of which USD 0.1 million related to the management and technical services provided during the year
- USD 0.6 million from Panoro TPS Production GmbH (60% owned), of which 0.3 million related to the management and technical services provided during the year
- USD 0.1 million from Panoro TPS (UK) Production Limited (60% owned), of which 0.1 million related to the management and technical services provided during the year

Further, the Company provides funding to its Group companies to fund normal operational activity. The intercompany balances receivable from the companies within the Group at 31 December 2020 were:

- USD 1.8 million receivable from Pan-Petroleum Gabon Holding B.V. The balance bears interest at 10% and is repayable on demand.
- USD 0.2 million from Pan-Petroleum Nigeria Holding B.V. The balance bears interest at 10% and is repayable on demand.
- USD 0.1 million from Pan-Petroleum Services Holding B.V. The balance bears interest at 10% and is repayable on demand.

NOTE 9: SHAREHOLDERS' EQUITY AND SHAREHOLDER INFORMATION

As of 31 December 2020, the Company had a registered share capital of NOK 3,451,113 divided into 69,022,259 shares, each with a nominal value of NOK 0.05 (31 December 2019: NOK 3,439,993 divided into 68,799,858 shares, each with a nominal value of NOK 0.05).

All shares in issue are fully paid-up and carry equal voting rights.

The Board may be given a power of attorney by the General Meeting to issue new shares for specific purposes.

The table below shows the changes in equity in the Company during 2020 and 2019:

USD 000	Issued capital	Share premium	Additional paid-in capital	Other equity	Total
At 1 January 2020	**458**	**349,193**	**122,055**	**(384,400)**	**87,306**
Net income/(loss) for the year	-	-	-	9,411	9,411
Shares issued under RSU plan	1	253	-	-	254
At 31 December 2020	**459**	**349,446**	**122,055**	**(374,989)**	**96,971**

At 1 January 2019	**423**	**333,090**	**122,055**	**(393,865)**	**61,702**
Net income/(loss) for the year	-	-	-	9,465	9,465
Share issue for cash - private placement (including shares issued under RSU plan)	35	16,537	-	-	16,573
Transaction costs on share issue	-	435	-	-	435
At 31 December 2019	**458**	**349,192**	**122,055**	**(384,400)**	**87,305**

During the year the Company issued 222,401 shares, each at a fair value of NOK 11.3979, under the Company's RSU plan.

In 2019, the Company completed a private placement through issuing 6,238,760 new shares at NOK 23.90 per share to subscribers.

Ownership structure

The Company had 4,752 shareholders on 31 December 2020 (31 December 2019: 4,369). The twenty largest shareholders were:

No.	Shareholder	Number of shares	Holding in %
1	DNB Markets Aksjehandel/-analyse	8,467,365	12.27%
2	SUNDT AS	8,450,000	12.24%
3	J.P. Morgan Securities LLC	3,085,226	4.47%
4	VERDIPAPIRFONDET DNB SMB	2,962,044	4.29%
5	ALDEN AS	2,346,884	3.40%
6	HORTULAN AS	1,829,778	2.65%
7	Nordnet Bank AB	1,183,585	1.71%
8	TVENGE TORSTEIN INGVALD	1,003,374	1.45%
9	KING KONG INVEST AS	950,000	1.38%
10	FINANCIAL FUNDS AS	940,000	1.36%
11	F2 FUNDS AS	900,000	1.30%
12	VERDIPAPIRFONDET STOREBRAND VEKST	866,120	1.25%
13	ALTEA PROPERTY DEVELOPMENT AS	702,344	1.02%
14	THORSEN SIMEN	700,000	1.01%
15	HAUGESUND PSYKIATRISKE SENTER AS	576,192	0.83%
16	MABE INVEST AS	560,000	0.81%
17	NORDNET LIVSFORSIKRING AS	529,894	0.77%
18	SKINSTAD PER IVAR	520,000	0.75%
19	PHILIP HOLDING AS	500,000	0.72%
19	GINNY INVEST AS	500,000	0.72%
19	TIGERSTADEN AS	500,000	0.72%
	Top 20 shareholders	38,072,806	55.16%
	Other shareholders	30,949,453	44.84%
	Total shares	**69,022,259**	**100.00%**

Shares owned by the CEO, Board Members and key management, directly and indirectly, at 31 December 2020:

Shareholder	Position	Number of shares	% of total
Julien Balkany (i)	Chairman of the Board of Directors	3,166,244	4.59%
Torstein Sanness	Deputy Chairman of the Board of Directors	153,031	0.22%
Garrett Soden (ii)	Director	25,408	0.04%
Alexandra Herger	Director	20,950	0.03%
Hilde Ådland	Director	19,097	0.03%
John Hamilton	Chief Executive Officer	373,829	0.54%
Qazi Qadeer	Chief Financial Officer	161,860	0.23%
Richard Morton	Technical Director	195,389	0.28%
Nigel McKim	Projects Director	10,856	0.02%

(i) Mr. Balkany has beneficial interest in Nanes Balkany Partners I LP which owns 600,106 shares in the Company, and Balkany Investments LLC which owns 2,485,120 shares in the Company. In addition, Mr. Balkany directly holds 81,018 shares in the Company.

(ii) Mr. Soden holds directly or indirectly 25,408 shares in the Company.

Shareholder distribution per 31 December 2020:

Number of shares	# of shareholders	% of total	# of shares	Holding in %
1 - 1,000	3,308	67.22%	738,013	1.07%
1,001 - 5,000	854	17.35%	2,221,307	3.22%
5,001 - 10,000	281	5.71%	2,222,825	3.22%
10,001 - 100,000	387	7.86%	11,901,209	17.24%
100,001 - 1,000,000	83	1.69%	22,610,649	32.76%
1,000,001 +	8	0.16%	29,328,256	42.49%
Total	**4,921**	**100.00%**	**69,022,259**	**100.00%**

NOTE 10: OTHER CURRENT LIABILITIES

The breakdown of other current liabilities is below:

USD 000	**2020**	2019
Accruals	4	381
Employee related costs payable (including taxes)	17	20
At December 31	**21**	**401**

NOTE 11: COMMITMENTS AND CONTINGENCIES

There were no commitments and contingencies at 31 December 2020 (31 December 2019: Nil).

NOTE 12: FINANCIAL MARKET RISK AND BUSINESS RISK

Refer to the consolidated financial statements, Note 18: Financial risk management.

NOTE 13: GUARANTEES AND PLEDGES

The Company has provided a performance guarantee to the Brazilian directorate Agência Nacional do Petróleo,Gás Natural e Biocombustíveis (the "ANP"),, in terms of which the Company is liable for the commitments of Coral. Estela do Mar and Cavalo Marinho licenses in accordance with concession agreements. The guarantee is unlimited.

Under section 479A of the UK Companies Act 2006; four of the Company's indirect subsidiaries Panoro Energy Limited (Registration number: 6386242), African Energy Equity Resources Limited (Registration number: 5724928) and Panoro TPS (UK) Production Limited (Registration number: 11790067) and Panoro 2B Limited (Registration number: have availed exemption for audit of their statutory financial statements pursuant to guarantees issued by the Company to indemnify the subsidiaries of any losses towards third parties that may arise in the financial year ended 31 December 2020 in such Companies. The Company can make an annual election to support such guarantee for each financial year.

The Company has a guarantee issued to the State of Gabon to fulfil all obligations under the Dussafu Production Sharing Contract. There is no potential claim against these performance guarantee and all license obligations are already accounted for in the statement of financial position.

The Company has issued a parent company guarantee in favour of Mercuria Assets Holdings (Hong Kong) Ltd. to guarantee the obligations of Panoro Tunisia Production AS as borrower. Further details can be found in Note 5: Finance income, interest expense and other charges.

The Company has issued a performance guarantee on behalf of its jointly owned company Panoro Energy AS to fulfil the payment obligation of deferred consideration of up to USD 13.2 million (USD 7.9 million net to Panoro) to DNO ASA once the milestones as agreed by parties are met.

The Company has guaranteed all obligations of its subsidiary, Panoro 2B Limited as part of the farm-in transaction in Block 2B offshore South Africa. In addition, Panoro entered into deed of guarantee with Thombo Petroleum Limited, Panoro 2B Limited and African Energy Corporation whereby the Company guarantee all obligations of Panoro 2B Limited under the farm out agreement, and under the petroleum authorisation as set out in the Farmee Guarantee.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

Refer to the consolidated financial statements, Note 23: Events subsequent to reporting date.

(REF. SECTION 6-16A OF THE NORWEGIAN PUBLIC LIMITED COMPANIES ACT)

PART 1: SALARIES, BONUSES AND OTHER REMUNERATION PRINCIPLES

Panoro Energy ASA has established a compensation program for executive management that reflects the responsibility and duties as management of an international oil and gas company and at the same time contributes to add value for the Company's shareholders. The goal for the Board of Directors has been to establish a level of remuneration that is competitive both in domestic and international terms to ensure that the Group is an attractive employer that can obtain a qualified and experienced workforce. The compensation structure can be summarised as follows:

Compensation Element	Objective and Rational	Form	What the Element Rewards
Base Salary	A competitive level of compensation is provided for fulfilling position responsibilities	Cash	Knowledge, expertise, experience, scope of responsibilities and retention
Short-term Incentives	To align annual performance with Panoro's business objectives and shareholder interests. Short-term incentive pools increase or decrease based on business performance	Cash	Achievement of specific performance benchmarks and individual performance goals
Long-term Incentives	To promote commitment to achieving long-term exceptional performance and business objectives as well as aligning interests with the shareholders through ownership levels comprised of share options and share based awards	Restricted Share Units	Sustained performance results, share price increases and achievement of specific performance measures based on quantified factors and metrics

The Remuneration Committee oversees our compensation programs and is charged with the review and approval of the Company's general compensation strategies and objectives and the annual compensation decisions relating to our executives and to the broad base of Company employees. Its responsibilities also include reviewing management succession plans; making recommendations to the Board of Directors regarding all employment agreements, severance agreements, change in control agreements and any special supplemental benefits applicable to executives; assuring that the Company's incentive compensation program, including the annual, short term incentives and long- term incentive plans, is administered in a manner consistent with the Company's strategy; approving and/or recommending to the Board of Directors new incentive compensation plans and equity-based compensation plans; reviewing the Company's employee benefit programs; and recommending for approval all administrative changes to compensation plans that may be subject to the approval of the shareholders or the Board of Directors.

The Remuneration Committee seeks to structure compensation packages and performance goals for compensation in a manner that does not incentivize employees to take risks that are reasonably likely to have a material adverse effect on the Company. The Remuneration Committee designs long-term incentive compensation, including restricted share units, performance units and share options in such a manner that employees will forfeit their awards if their employment is terminated for cause. The Committee also retains the discretionary authority to reduce bonuses to reflect factors regarding individual performance that are not otherwise taken into account.

Remuneration in 2020:

Remuneration for executive management for 2020 consisted of both fixed and variable elements. The fixed elements consisted of salaries and other benefits (health and pension), while the variable elements consisted of a performance-based bonus arrangement and a restricted share unit scheme that was approved by the Board of Directors and the shareholders in the Annual General Meeting in 2018.

For 2020, the following was paid/incurred to the executives:

2020	Short term benefits and pension costs					Long term benefits	
Amounts in USD 000 unless stated otherwise	Salary	Bonus	Benefits	Pension costs	Total	Number of RSUs awarded in 2020	Fair value of RSUs expensed
John Hamilton, CEO	454	182	11	13	660	324,358	428
Qazi Qadeer, CFO	289	102	5	13	409	104,215	139
Total	**743**	**284**	**16**	**26**	**1,069**	**428,573**	**567**

Any bonuses that were incurred and paid in 2020 were approved by the Board of Directors during 2020. The bonus paid in 2020 related to the achievement of performance standards set by the Board of Directors for the financial year 2019.

Evaluation, award and payment of cash bonuses is generally performed in the year subsequent to financial year end, unless stated otherwise. Any bonuses for 2020 performance will be awarded in the year 2021 and determined based on the criteria set by the remuneration committee that includes meeting milestones of measurable strategic value drivers, progress on portfolio of assets, and certain corporate objectives including reduction of administrative overhead costs and HSE performance.

Remuneration principles for 2021:

For 2021, remuneration for executive management consists of both fixed and variable elements. The fixed elements consist of salaries and other benefits (health and pension), while the variable elements consist of a performance-based bonus arrangement and a restricted share unit scheme that was approved by the Board of Directors and the Company's shareholders in 2018.

Any cash bonuses to members of the executive management for 2020 will be capped at 50% of annual base salary. The Board at its discretion, may award exceptional bonuses for any value accretive transformational events undertaken by the Company on an isolated basis. Evaluation, award and payment of cash bonuses is generally performed in the year subsequent to the financial year under review. The annual bonus for 2020 performance will be determined and paid in the year 2021, based on the criteria proposed by the Remuneration Committee and approved by the Board of Directors. Such criteria may include meeting milestones of measurable strategic value drivers, progress on portfolio of assets, and certain corporate objectives including reduction of administrative overhead costs and HSE performance. These criteria will be individually tailored for each member of the executive team and will be determined by the Board of Directors as soon as is practicable after the reporting period.

Severance payments etc:

Per the respective terms of employment, the CEO is entitled to 12 months of base salary in the event of a change of control; whereby a tender offer is made or consummated for the ownership of more than 50% or more of the outstanding voting securities of the Company; or the Company is merged or consolidated with another corporation and as a result of such merger or consolidation less than 50.1% of the outstanding voting securities of the surviving entity or resulting corporation are owned in the aggregate by the persons by the entities or persons who were shareholders of the Company immediately prior to such merger or consolidation; or the Company sells substantially all of its assets to another corporation that is not a wholly owned subsidiary. The CFO is entitled to 6 months of base salary in the event of a change of control as described above.

Pensions:

The Company is required to have an occupational pension scheme in accordance with the Norwegian law on required occupational pension ("Lov om obligatorisk tjenestepensjon"). The Company contributes to an external defined contribution scheme and therefore no pension liability is recognised in the statement of financial position. Since the Company no longer employs any staff in Norway, this scheme is effectively redundant.

In the UK, the Company's subsidiary that employs the staff, contributes a fixed amount per Company policy in an external defined contribution scheme. As such, no pension liability is recognised in the statement of financial position in relation to Company's subsidiaries either.

2020 – Compliance:

In 2020, the executives received base salaries and cash incentive bonuses in line with the executive remuneration policies as presented to the 2020 Annual General Meeting.

PART 2: SHARE BASED INCENTIVES

In June 2020, 719,087 Restricted Share Units were awarded under and in accordance with the Company's RSU scheme to the employees of the Company under the long-term incentive compensation plan approved by the shareholders. One Restricted Share Unit ("RSU") entitles the holder to receive one share of capital stock of the Company against payment in cash of the par value for the share. The par value is currently NOK 0.05 per share. Vesting of the RSUs is time based. The standard vesting period is 3 years, where 1/3 of the RSUs vest after one year, 1/3 vest after 2 years, and the final 1/3 vest after 3 years from grant. The Board of Directors, at its discretion can grant a non-standard vesting period.

RSUs vest automatically at the respective vesting dates and the holder will be issued the applicable number of shares as soon as possible thereafter.

Provided that a renewal of the RSU program is approved by the upcoming Annual General Meeting, for 2021 the Board of Directors will thereafter only award share-based incentives in line with any shareholder approved program, and awards of share-based incentives will in value (calculated at the time of grant) be capped to 100% of the annual base salary for the CEO and 75% of the annual base salary for other members of the executive management.

Pursuant to the Norwegian Securities Trading Act section 5-5 with pertaining regulations we hereby confirm that, to the best of our knowledge, the company's financial statements for 2020 have been prepared in accordance with IFRS, as provided for by the EU, and in accordance with the requirements for additional information provided for by the Norwegian Accounting Act. The information presented in the financial statements gives a true and fair picture of the company's liabilities, financial position and results viewed in their entirety.

To the best of our knowledge, the Board of Directors' Report gives a true and fair picture of the development, performance and financial position of the company, and includes a description of the principal risk and uncertainty factors facing the company. Additionally, we confirm to the best of our knowledge that the report "Payments to governments" as provided in a separate section in this annual report has been prepared in accordance with the requirements in the Norwegian Securities Trading Act Section 5-5a with pertaining regulations.

30 April 2021

The Board of Directors
Panoro Energy ASA

Chairman of the Board	Deputy Chairman of the Board	Non-Executive Director
Non-Executive Director	Non-Executive Director	Chief Executive Officer

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Panoro Energy ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Panoro Energy ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, cash flow statement and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the

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performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Recoverable amounts of oil and gas assets

Oil and gas assets represent a significant part of the Group's assets and the carrying values as of 31 December 2020 amounted to USD 26.5 million in Production rights, USD 21.1 million in License and exploration assets, USD 32.3 million in Production assets and equipment, and USD 14.5 million in Development assets. Oil and gas assets are tested for impairment when impairment indicators are identified. During 2020 management has identified the volatility in oil and gas prices an impairment indicator.

Determining the recoverable amounts of the assets involves significant judgement by management. When estimating the recoverable amounts, the expected cash flow approach is applied. The assumptions used in forecasting future cash flows include assessing future price assumptions, future expected production volumes and capital and operating expenses and discount rates. These critical assumptions are judgmental and forward-looking and may be influenced by future market developments and economic developments. We therefore consider management's determination of recoverable amounts of oil and gas assets to be a key audit matter given the significance of the accounts, the complexity and uncertainty of the estimates and assumptions used.

As part of our audit procedures we evaluated management's methodology, tested the clerical accuracy of the models and evaluated the reasonableness of the discount rates. To assess the inputs to the discounted cash flow models we evaluated management's expectation of future commodity prices and compared such assumptions to external market data. We compared reserve volumes to the independent reserve reports, and we analysed the future capital and operating expenditure profiles.

We refer to the Group's disclosures in note 2.3 Significant accounting judgments, estimates and assumptions (section Impairment Indicators) and note 9.2 Impairment in Oil and Gas Interests in the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Stavanger, 30 April 2021
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Erik Søreng
State Authorised Public Accountant (Norway)

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Panoro Energy ASA ("Panoro", "Panoro Energy" or "the Company", and with its subsidiaries; the "Group") aspires to ensure confidence in the Company and the greatest possible value creation over time through efficient decision making, clear division of roles between shareholders, management and the Board of Directors ("the Board") as well as adequate communication.

Panoro Energy seeks to comply with all the requirements covered in The Norwegian Code of Practice for Corporate Governance (the "Code"). The latest version of the Code of 17 October 2018 is available on the website of the Norwegian Corporate Governance Board, www.nues.no. The Code is based on the "comply or explain" principle, in that companies should explain alternative approaches to any specific recommendation. The Company also seeks to comply with the Oslo Børs Code of Practice for Investor Relation (IR) of 1 July 2019.

1: IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The main objective for Panoro's Corporate Governance is to develop a strong, sustainable and competitive company in the best interest of the shareholders, employees and society at large, within the laws and regulations of the respective country. The Board of Directors (the Board) and management aim for a controlled and profitable development and long-term creation of growth through well-founded governance principles and risk management.

The Board will give high priority to finding the most appropriate working procedures to achieve, inter alia, the aims covered by these Corporate Governance guidelines and principles.

The Code comprises 15 points. The Corporate Governance report is available on the Company's website www.panoroenergy.com

2: BUSINESS

Panoro Energy ASA is an independent exploration and production (E&P) company headquartered in London and listed on the Oslo Stock Exchange with ticker PEN. The Company holds production, development, and exploration assets in North and West Africa. The North African portfolio comprises a participating interest in five producing oil field concessions, the Sfax Offshore Exploration Permit (SOEP), and the Ras El Besh concession, all in the region of the city of Sfax, Tunisia. The operations in West Africa include the Dussafu License offshore southern Gabon and OML 113 offshore western Nigeria, which is classified as held for sale. In addition, during 2021 the Company through its subsidiary has acquired a working interest in Block-G, offshore Equatorial Guinea that comprises two producing oil fields. The Company through its subsidiary has also entered into a farm-in agreement in Block 2B, offshore South Africa.

The Company's business is defined in the Articles of Association §2, which states:

"The Company's business shall consist of exploration, production, transportation and marketing of oil and natural gas and exploration and/or development of other energy forms, sale of energy as well as other related activities. The business might also involve participation in other similar activities through contribution of equity, loans and/or guarantees".

As at 31 December 2020, Panoro Energy currently has two reportable segments with exploration and production of oil and gas, by geographic locations being West Africa and North Africa. In West Africa, the Company participates in a number of licenses in and Gabon and Nigeria whereas the North African business is concentrated in Tunisia.

Vision statement

Our vision is to use our experience and competence in enhancing value in projects in Africa to the benefit of the countries we operate in and the shareholders of the Company.

3: EQUITY AND DIVIDENDS

Panoro Energy's Board of Directors will ensure that the Company at all times has an equity capital at a level appropriate to its objectives, strategy and risk profile. The oil and gas E&P business is highly capital dependent, requiring Panoro Energy to be sufficiently capitalised. The Board needs to be proactive in order for Panoro Energy to be prepared for changes in the market.

Mandates granted to the Board to increase the Company's share capital or to purchase own shares will normally be restricted to defined purposes and are normally limited in time to the following year's Annual General Meeting. Any acquisition of our shares will be carried out through a regulated marketplace at market price, and the Company will not deviate from the principle of equal treatment of all shareholders. If there is limited liquidity in the Company's shares at the time of such transaction, the Company will consider other ways to ensure equal treatment of all shareholders.

Mandates granted to the Board for issue of shares for different purposes will each be considered separately by the General Meeting. Any decision to deviate from the principle of equal treatment by waiving the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital will be justified and disclosed in the stock exchange announcement of the increase in share capital. Such deviation will be made only in the common interest of the shareholders of the Company.

Payment of dividends will be considered in the future, based on the Company's capital structure and dividend capacity as well as the availability of alternative investments.

4: EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Panoro Energy has one class of shares representing one vote at the Annual General Meeting. The Articles of Association contains no restriction regarding the right to vote.

All Board members, employees of the Company and close associates must internally clear potential transactions in the Company's shares or other financial instruments related to the Company prior to any transaction. All transactions between the Company and shareholders, shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties, are governed by the Code and the rules of the Oslo Stock Exchange, in addition to statutory law. Any transaction with close associates will be evaluated by an independent third party, unless the transaction requires the approval of the General Meeting pursuant to the requirements of the Norwegian Public Limited Liabilities Companies Act. Independent valuations will also be arranged in respect of transactions between companies in the Group where any of the companies involved have minority shareholders. Any transactions with related parties, primary insiders or employees shall be made in accordance with Panoro Energy's own instructions for Insider Trading. The Company has guidelines to ensure that members of the Board and executive personnel notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

During 2020, the Company has entered into an agreement with Africa Energy Corp. ("AEC") in relation to farming-in of 12.5% working interest in Block 2B, offshore South Africa. Mr. Garrett Soden, the Company's non-executive director, holds the position of CEO in AEC, and is also a Director. All decisions taken by the Company in relation to the Block 2B transaction was without any involvement from Mr. Soden and as such the transaction terms were negotiated at arm's length in a competitive process undertaken by AEC to farm-out their interest in the block.

5: SHARES AND NEGOTIABILITY

Shares of Panoro Energy are listed on the Oslo Stock Exchange. There are no restrictions on ownership, trading or voting of shares in Panoro Energy's Articles of Association.

6: GENERAL MEETINGS

Panoro Energy's Annual General Meeting is to be held by the end of June each year. The Board will take necessary steps to ensure that as many shareholders as possible may exercise their rights by participating in General Meetings of the Company, and to ensure that General Meetings are an effective forum for the views of shareholders and the Board. An invitation and agenda (including proxy) will be sent out no later than 21 days prior to the meeting to all shareholders in the Company. The invitation will also be distributed as a stock exchange notification. The invitation and support information on the resolutions to be considered at the General Meeting will furthermore normally be posted on the Company's website www.panoroenergy.com no later than 21 days prior to the date of the General Meeting.

The recommendation of the Nomination Committee will normally be available on the Company's website at the same time as the notice.

Panoro Energy will ensure that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.

According to Article 7 of the Company's Articles of Association, registrations for the Company's General Meetings must be received at least five calendar days before the meeting is held.

The Chairman of the Board and the CEO of the Company are normally present at the General Meetings. Other Board members and the Company's auditor will aim to be present at the General Meetings. Members of the Nomination Committee are requested to be present at the AGM of the Company. An independent person to chair the General Meeting will, to the extent possible, be appointed. Normally the General Meetings will be chaired by the Company's external corporate lawyer.

Shareholders who are unable to attend in person will be given the opportunity to vote by proxy. The Company will nominate a person who will be available to vote on behalf of shareholders as their proxy. Information on the procedure for representation at the meeting through proxy will be set out in the notice for the General Meeting. A form for the appointment of a proxy, which allows separate voting instructions for each matter to be considered by the meeting and for each of the candidates nominated for elections will be prepared. Dividend, remuneration to the Board and the election of the auditor, among the matters that will be decided at the AGM. After the meeting, the minutes are released on the Company's website.

7: NOMINATION COMMITTEE

The Company shall have a Nomination Committee consisting of 2 to 3 members to be elected by the Annual General Meeting for a two-year period. The Annual General Meeting elects the members and the Chairperson of the Nomination Committee and determines the committee's remuneration. The Company will provide information on the member of the Nomination Committee on its website. The Company will further give notice on its website, in good time, of any deadlines for submitting proposals for candidates for election to the Board of Directors and the Nomination Committee.

The Company aims at selecting the members of the Nomination Committee taking into account the interests of shareholders in general. The majority of the Nomination Committee shall as a rule be independent of the Board and the executive management. The Nomination Committee currently consists of three members, whereof all members are independent of the Board and the executive management.

The Nomination Committee's duties are to propose to the General Meeting shareholder elected candidates for election to the Board, and to propose remuneration to the Board. The Nomination Committee justifies its recommendations, and the recommendations take into account the interests of shareholders in general and the Company's requirements in respect of independence, expertise, gender, capacity and diversity.

The Nomination Committee is described in the Company's Articles of Association and the General Meeting may stipulate guidelines for the duties of the Nomination Committee.

8: BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

The composition of the Board ensures that the Board represents the common interests of all shareholders and meets the Company's need for expertise, capacity and diversity. The members of the Board represent a wide range of experience including shipping, offshore, energy, banking and investment. The composition of the Board ensures that it can operate independently of any special interests. Members of the Board are elected for a period of two years. Recruitment of members of the Board may be phased so that the entire Board is not replaced at the same time. The General Meeting elects the Chairman and any Deputy Chairman. The Company's website and annual report provides detailed information about the Board members expertise and independence. The Company has a policy whereby the members of the Board are encouraged to own shares in the Company, but to dissuade from a short-term approach which is not in the best interests of the Company and its shareholders over the longer term.

9: THE WORK OF THE BOARD OF DIRECTORS

The Board has the overall responsibility for the management and supervision of the activities in general. The Board decides the strategy of the Company and has the final say in new projects and/or investments. The Board's instructions for its own work as well as for the executive management have particular emphasis on clear internal allocation of responsibilities and duties. The Chairman of the Board ensures that the Board's duties are undertaken in efficient and correct manner. The Board shall stay informed of the Company's financial position and ensure adequate control of activities, accounts and asset management. The Board member's experience and skills are crucial to the Company both from a financial as well as an operational perspective. The Board will consider evaluating its performance and expertise annually. The CEO is responsible for the Company's daily operations and ensures that all necessary information is presented to the Board.

An annual schedule for the Board meetings is prepared and discussed together with a yearly plan for the work of the Board.

The Company has guidelines to ensure that members of the Board and executive personnel notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company. Should the Board need to address matters of a material character in which the Chairman is or has been personally involved, the matter will be chaired by the Deputy Chairman of the Board to ensure a more independent consideration.

In addition to the Nomination Committee elected by the General Meeting, the Board has an Audit Committee and a Remuneration Committee as sub-committees of the Board. The members are independent of the executive management.

Currently the Audit Committee and the Remuneration Committee both consist of the complete Board. The reason for this is the rather low number of directors in the Company, which has led the Board to conclude that it is currently more efficient for the Board function that all directors also are members of committees. This practice will be further assessed in the future.

10: RISK MANAGEMENT AND INTERNAL CONTROL

Financial and internal control, as well as short- and long-term strategic planning and business development, all according to Panoro Energy's business idea and vision and applicable laws and regulations, are the Board's responsibilities and the essence of its work. This emphasises the focus on ensuring proper financial and internal control, including risk control systems.

The Board approves the Company's strategy and level of acceptable risk, as documented in the guiding tool "Risk Management" described in the relevant note in the consolidated financial statements in the Annual Report.

The Board carries out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

For further details on the use of financial instruments, refer to relevant note in the consolidated financial statements in the Annual Report and the Company's guiding tool "Financial Risk Management" described in relevant note in the consolidated financial statements in the Annual Report.

11: REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration to the Board will be decided by the Annual General Meeting each year.

Panoro Energy is a diversified company, and the remuneration will reflect the Board's responsibility, expertise, the complexity and scope of work as well as time commitment.

The remuneration to the Board is not linked to the Company's performance and share options will normally not be granted to Board members, unless recommended by the Nomination Committee and approved by shareholder vote. Remuneration in addition to normal director's fee will be specifically identified in the Annual Report.

Members of the Board normally do not take on specific assignments for the Company in addition to their appointment as a member of the Board.

12: REMUNERATION OF THE EXECUTIVE PERSONNEL

The Board has established guidelines for the remuneration of the executive personnel. The guidelines set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines ensure convergence of the financial interests of the executive personnel and the shareholders.

Panoro Energy has appointed a Remuneration Committee (RC) which meets regularly. The objective of the committee is to determine the compensation structure and remuneration level of the Company's CEO. Remuneration to the CEO shall be at market terms and decided by the Board and made official at the AGM every year. Remuneration to other key executives shall be proposed by the CEO to the RC.

The remuneration shall, both with respect to the chosen kind of remuneration and the amount, encourage addition of values to

the Company and contribute to the Company's common interests – both for management as well as the owners.

Detailed information about options and remuneration for executive personnel and Board members is provided in the Annual Report pursuant to and in accordance with section 6-16a of the Norwegian Public Limited Companies Act. The guidelines are normally presented to the Annual General Meeting also as a separate attachment to the Annual General Meeting notice.

13: INFORMATION AND COMMUNICATIONS

The Company has established guidelines for the Company's reporting of financial and other information.

The Company publishes an annual financial calendar including the dates the Company plans to publish the quarterly and interim updates and the date for the Annual General Meeting. The calendar can be found on the Company's website and will also be distributed as a stock exchange notification and updated on Oslo Stock Exchange's website. The calendar is published at the end of a fiscal year, according to the continuing obligations for companies listed on the Oslo Stock Exchange. The calendar is also included in the Company's interim reports.

All shareholders information is published simultaneously on the Company's web site and to appropriate financial news media.

Panoro Energy normally makes four quarterly presentations a year to shareholders, potential investors and analysts in connection with quarterly earnings reports. The quarterly presentations are held through webinars to facilitate participation by all interested shareholders, analysts, potential investors and members of the financial community. A question-and-answer session is held at the end of each presentation to allow management to answer the questions of attendees. A recording of the webinar presentation is retained on the Company's website www.panoroenergy.com for a limited number of days.

The Company also makes investor presentations at conferences in and out of Norway. The information packages presented at such meetings are published simultaneously on the Company's web site.

The Chairman, CEO and CFO of Panoro Energy are the only people who are authorised to speak to, or be in contact with the press, unless otherwise described or approved by the Chairman, CEO and/or CFO.

14: TAKE-OVERS

Panoro Energy has established the following guiding principles for how the Board will act in the event of a take-over bid.

As of today, the Board does not hold any authorisations as set forth in Section 6-17 of the Securities Trading Act, to effectuate defence measures if a takeover bid is launched on Panoro Energy.

The Board may be authorised by the General Meeting to acquire its own shares but will not be able to utilise this in order to obstruct a takeover bid, unless approved by the General Meeting following the announcement of a takeover bid.

The Board of Directors will generally not hinder or obstruct take-over bids for the Company's activities or shares.

As a rule, the Company will not enter into agreements with the purpose to limit the Company's ability to arrange other bids for the Company's shares unless it is clear that such an agreement is in the common interest of the Company and its shareholders. As a starting point the same applies to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation will as a rule be limited to the costs the bidder has incurred in making the bid. The Company will generally seek to disclose agreements entered into with the bidder that are material to the market's evaluation of the bid no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the Company's shares, the Board of Directors will not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the General Meeting following announcement of the bid.

If an offer is made for the Company's shares, the Board will issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. The Board will also arrange a valuation with an explanation from an independent expert. The valuation will be made public no later than at the time of the public disclosure of the Board's statement. Any transactions that are in effect a disposal of the Company's activities will be decided by a General Meeting.

15: AUDITOR

The auditor will be appointed by the General Meeting.

The Board has appointed an Audit Committee as a sub-committee of the Board, which will meet with the auditor regularly. The objective of the committee is to focus on internal control, independence of the auditor, risk management and the Company's financial standing.

The auditors will send a complete Management Letter/Report to the Board – which is a summary report of risks faced by the business. The auditor participates in meetings of the Board that deal with the annual accounts, where the auditor reviews any material changes in the Company's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement between the auditor and the executive management of the Company.

In view of the auditor's independence of the Company's executive management, the auditor is also present in at least one Board meeting each year at which neither the CEO nor other members of the executive management are present.

Panoro Energy places importance on independence and has established guidelines in respect of retaining the Company's external auditor by the Company's executive management for services other than the audit.

The Board reports the remuneration paid to the auditor at the Annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

16: REPORTING OF PAYMENTS TO GOVERNMENTS

This report is prepared in accordance with the Norwegian Accounting Act § 3-3d and Securities Trading Act § 5-5a. It states that the companies engaged in the activities within the extractive industries shall annually prepare and publish a report containing information about their payments to governments at country and project level. The Ministry of Finance has issued a regulation (F20.12.2013 nr 1682 - "the regulation") stipulating that the reporting obligation only apply to reporting entities above a certain size and to payments above certain threshold amounts. In addition, the regulation stipulates that the report shall include other information than payments to governments, and provides more detailed rules applicable to definitions, publication and group reporting.

This report contains information for the activity in the financial year 2020 for Panoro Energy ASA (hereafter referred to as the "Company" or "Panoro" throughout this section).

The management of Panoro has applied judgement in interpretation of the wording in the regulation with regard to the specific type of payments to be included in this report, and on what level it should be reported. When payments are required to be reported on a project-by-project basis, it is reported on a field-by-field basis. Per management's interpretation of the regulation, reporting requirements only stipulate disclosure of gross amounts on operated licences as all payments within the license performed by Non-operators, normally will be cash calls transferred to the operator and will as such not be payments to governments. Panoro's activities within the extractive industries as an Operator are located in Tunisia.

Reporting of payments

The regulation's Section 2 no. 5 defines the different types of payments subject to reporting. In the following sections, only those applicable to the Company will be described.

West Africa (Nigeria and Gabon) – Non-operated

Although Panoro Energy, through its subsidiaries, has extractive activities and ownership interest in two licences in West Africa, namely Dussafu license offshore Gabon and OML-113 offshore Nigeria; both of the licenses are non-operated and as such only cash calls are disbursed to operating partners and therefore none of the payments during 2020 and 2019 can be construed as payments direct to governments under the regulation. As such, no payment will be disclosed in these cases, unless the operator is a state-owned entity, and it is possible to distinguish the payment.

In Gabon, the Group is party to a Production Sharing Contract (PSC) under which tax is paid in kind by virtue of the contractual Profit Oil allocation for the State's participation in the license. In 2020, an estimate of the value of the State Profit Oil portion was USD 2.7 million (2019: USD 3.8 million).

Tunisia - Operated

Panoro Group acquired interest in the Sfax Offshore Exploration Permit (SOEP) in Tunisia during 2018 and assumed Operatorship. No payments were made to the government of Tunisia in respect of these assets and no area fees was paid for these assets during the year ended 31 December 2020 (2019: USD Nil).

Tunisia – Non-operated

In 2018, Panoro Group acquired an interest in five oil producing concessions in Tunisia. The operations on these concessions are managed by Thyna Petroleum Services S.A. (TPS), which is a joint operating company. During the year ended 31 December 2020, the Group made direct payments to the Government in the form of taxes through its jointly controlled company, Panoro TPS Production GmbH amounting to USD 4.1 million (31 December 2019: USD 7.4 million) (representing Panoro's share at 60%). Of this amount, USD 4.1 million related to taxes on income from prior year and USD nil for taxes on income of current year (31 December 2019: USD 5.3 million and USD 2.1 million respectively). Further, as at 31 December 2020, the Group had corporation tax liability of USD 1.7 million which is due for payment in the following year (31 December 2019: USD 5 million).

1: ABOUT PANORO

Panoro Energy ASA is an independent exploration and production (E&P) company headquartered in London and listed on the Oslo Stock Exchange with ticker PEN. The Company holds production, development, and exploration assets in North and West Africa. The North African portfolio comprises a participating interest in five producing oil field concessions, the Sfax Offshore Exploration Permit (SOEP), and the Ras El Besh concession, all in the region of the city of Sfax, Tunisia. The operations in West Africa include the Dussafu License offshore southern Gabon and OML 113 offshore western Nigeria, which is classified as held for sale. In addition, during 2021 the Company through its subsidiary has acquired a working interest in Block-G, offshore Equatorial Guinea that comprises two producing oil fields. The Company through its subsidiary has also entered into a farm-in agreement in Block 2B, offshore South Africa.

Panoro's main purpose is to capitalise on the value of its assets. However, the Company acknowledges its responsibility for the methods by which this is achieved. The principles set out below seek to ensure that Panoro operates in a socially and environmentally responsible manner, encouraging a positive impact through its activities and those of its partners and other stakeholders.

2: MESSAGE FROM THE CEO

As an established oil and gas exploration and production company and Operator, we are mindful of the impact of our activities and we are firmly committed to embracing our social and environmental responsibilities. We believe that this is the right approach for all our stakeholders, including but not limited to host countries, local communities, our shareholders and business partners. Being a commercial entity, Panoro is focused on creating shareholder value. Nevertheless, we are mindful of the impact of our activities to achieve this goal; we are firmly committed to embracing our social and environmental responsibility, and to honouring the letter and the spirit of the UN Global Compact principles. We believe that this is the right approach for all our stakeholders, including but not limited to the host countries, the local communities, our shareholders and business partners.

We are committed to ensuring that our presence has a positive impact wherever we work and invest. We have therefore adopted this Ethical Code of Conduct ("ECOC") which reflects the letter and the spirit of the UN Global Compact principles. We believe that this is the right approach for all our stakeholders, including but not limited to the host countries, the local communities, our shareholders and business partners.

3: FRAMEWORK AND SCOPE OF THE ETHICAL CODE OF CONDUCT OF PANORO

3.1
Panoro as a company, as well as its individual employees, will commit to follow this ECOC.

3.2
Equally, we will work through our stakeholders and partners to ensure that we adhere to the values expressed in the ECOC.

3.3
Finally, the ECOC is based on the ten principles expressed in the UN Global Compact.

4: THE UN GLOBAL COMPACT PRINCIPLES

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

The UN Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption:

Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses

Labour

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation

Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

5: HOST COUNTRIES AND LOCAL COMMUNITIES

In addition to these principles, Panoro is concerned with the responsibility of the Company and its operations to the host country and the local community. We recognise the importance of having open and transparent relationships with governments and communities in the countries in which we operate. We maintain good working relationships keeping them informed of our activities, ongoing projects and key concerns as well as engaging on a wide range of policy and regulatory compliance. Wherever Panoro operates, the Company will be committed to:

- observe local laws and rules
- respect the sovereignty of the state
- observe and, through our example and that of our stakeholders, promote the rule of law
- encourage the employment of local staff
- engage in capacity building, through the transfer of skills and technologies
- work with local communities by contributing to improve their health, education and welfare
- respect indigenous people and their traditions
- minimise disturbances that may be caused by our operations
- be mindful of the impact of our security arrangements on local communities
- refrain from any involvement in tribal or internal armed conflicts or acts of violence

6: STAKEHOLDERS

The stakeholders of Panoro are defined as entities that are influenced by, or have influence on, the development of Panoro's assets. Panoro aims to commit to its ethical principles by working through its stakeholders, as well as monitoring how those stakeholders view Panoro's implementation of its ECOC.

Employees	Panoro recognises its influence and its responsibility to its employees, as well as to their close surroundings. Equally, the Company recognises the importance of attracting and retaining talent in order to fulfil its business and ethical goals.	Panoro will consistently train its employees to adhere to company standards and procedures. Each employee is expected to learn about and to undertake training on the ECOC on a regular basis.
Shareholders	The Panoro shareholders, including potential shareholders.	Panoro will seek to minimise shareholder risk and maximise value creation by adhering to the highest ethical standards in terms of environmental, legal and other risks based on the above principles. Panoro follows a strict code of governance based on international law and business practices.
Local Communities	The communities in which Panoro assets are placed include national authorities and different government bodies, as well as local unions, tribes and other community members.	Each asset has formal meeting points and communication lines setup within its operational structure. Panoro will seek to use these to address issues of interests based on the ECOC, including corruption, HS&Q and any other issues listed above.
Joint Venture Partners	Panoro operates and maximises the value of its assets mainly in partnership with other entities.	Through partnership agreements, as well as through formal and informal communication, Panoro will seek to use its influence to implement its ECOC throughout its joint operations.
Operators	The operators are the entities that conduct the actual operation of the assets.	Through joint operation agreements, as well as through formal and informal communication, Panoro will seek to maintain the highest ethical standards in all operations; focusing on HS&Q, environment and all other principles listed above in section 4 and 5.

Bbl	One barrel of oil, equal to 42 US gallons or 159 litres
Bcf	Billion cubic feet
Bm3	Billion cubic meters
BOE	Barrel of oil equivalent
bopd	Barrels of oil per day
Btu	British Thermal Units, the energy content needed to heat one pint of water by one degree Fahrenheit
M3	Cubic meters
MMbbls	Million barrels of oil
MMBOE	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm3	Million cubic meters
TRIR	Total Recordable Incident Rate

Natural gas and LNG	To billion cubic meters NG	Billion cubic meters NG	Million tonnes oil equivalent	Million tonnes LNG	Trillion British thermal units	Million barrels oil equivalent
From			Multiply by			
1 billion cubic meters NG	1.00	35.30	0.90	0.73	36.00	6.29
1 billion cubic feet NG	0.028	1.00	0.026	0.021	1.03	0.18
1 million tonnes oil equivalent	1.111	39.20	1.00	0.805	40.40	7.33
1 million tonnes LNG	1.38	48.70	1.23	1.00	52.00	8.68
1 trillion British thermal units	0.028	0.98	0.025	0.02	1.00	0.17
1 million barrels oil equivalent	0.16	5.61	0.14	0.12	5.80	1.00

PANORO ENERGY - 2020 ANNUAL REPORT

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Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Jan Hoelstad	06.09.2010	09.09.2010
Telefon	Deres referanse	Vår referanse
22077325	Finn Ole Edstrøm	2010/892809

Ernst & Young AS
Oslo Atrium Postboks 20
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Søknad om tillatelse til å unnlate å utarbeide årsregnskap og årsberetning på norsk språk for Panoro Energy ASA, org. nr: 994 051 067

Det vises til Deres søknad av 6. september 2010 hvor De søker om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Panoro Energy ASA.

Bakgrunn:
Selskapet er et internasjonalt olje og gass selskap med hovedkontor i Oslo, og hvor aksjene er notert på Oslo Børs. Den operasjonelle driften er i det vesentlige konsentrert rundt Vest Afrika og Brasil. Selskapets arbeidsspråk er derfor engelsk og all intern rapportering og møtevirksomhet skjer på engelsk språk. Det er opplyst i søknaden at 71 % av aksjonærene er internasjonale. Oslo Børs har gitt dispensasjon fra vphl § 5-13 vedrørende krav til språk ved rapportering til dem. Selskapet søker om dispensasjon fra kravet til norsk språk i årsregnskapet og årsberetningen da selskapet mener det ikke er interessenter til den norske versjonen, og at denne kun utarbeides for å dekke regnskapslovens krav.

Skattedirektoratets vurdering og konklusjon
Etter regnskapsloven § 3-4 tredje ledd *skal "årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:
"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet. Offentlige myndigheter må også anses som en sentral regnskapsbruker, idet ulike myndigheter, som lignings- og tilsynsmyndigheter, benytter regnskapene som et verktøy i sin kontrollvirksomhet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir negativt berørt ved en eventuell dispensasjon.

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Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. Det framgår av søknaden at selskapet alt benytter engelsk språk ved kommunikasjon med sine aksjonærer, og at Oslo Børs har gitt dispensasjon til å benytte engelsk ved rapportering av aksjonærinformasjon til dem. En betydelig del av aksjene eies fra utlandet eller av profesjonelle investorer. Selskapet opererer innen en bransje med sterk internasjonal karakter og arbeidsspråket er engelsk. Alle sentrale aktører og samarbeidsparter innen denne bransjen, antas å måtte beherske og benytte engelsk språk.

Skattedirektoratet gir på bakgrunn av en helhetsvurdering Panoro Energy ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Jan Hoelstad