Panoro Energy

Second Second Quarter Report 2010

August 26, 2010

Contents

Highlights and events

Panoro Energy ASA ("PEN" ticker code OSE) and its subsidiaries ("Panoro Energy" or "the Company") reports the completion of the demerger from Norse Energy Corp. ASA with listing of Panoro Energy ASA and subsequent merger with Pan-Petroleum, creating a new South Atlantic oil & gas independent. The year-to-date Profit & Loss (P&L) consists of year-to-date Brazil group and Panoro Energy ASA P&L. Pan-Petroleum results have not been consolidated in the P&L, as the acquisition became effective on June 29, 2010. The balance sheet, however, reflects Panoro Energy ASA after the merger with Pan-Petroleum.

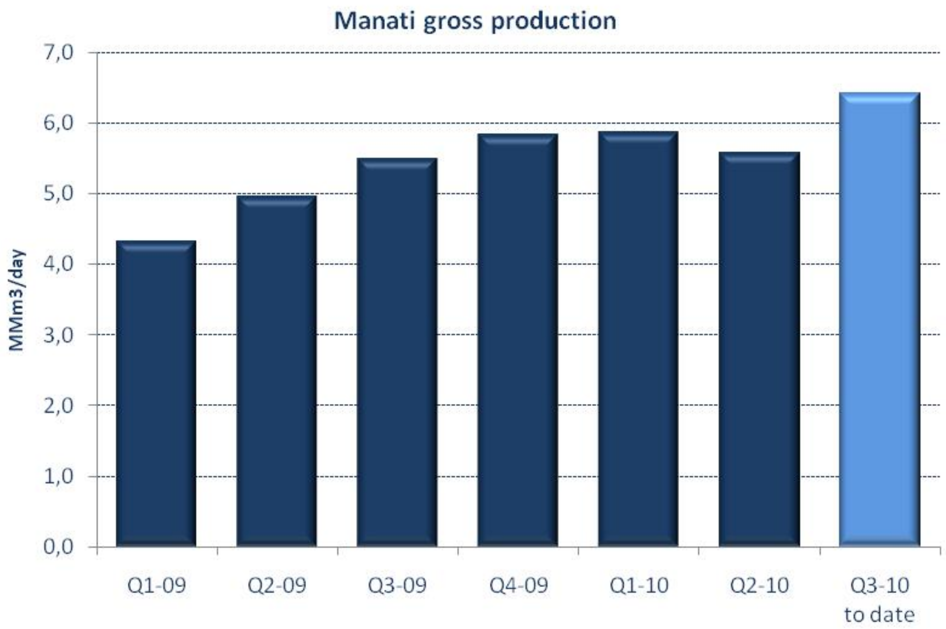
Second Quarter Highlights and Subsequent Events

Corporate

- Listing of Panoro Energy ASA on the Oslo Stock Exchange on June 8, 2010, completing the demerger from Norse Energy Corp. ASA
- Merger between Panoro Energy ASA and Pan-Petroleum completed on June 29, 2010
- Finalisation of bond restructuring on June 30, 2010
- Election of new members to the Board of Directors
- Completed gross USD 65 million equity raise in connection with the merger

Key financials and operations

- Group net production was 3,360 boe/day in Q2 – Strong production into Q3 from Manati
- Group EBITDA was USD -3.6 million, including "one-off" M&A cost of USD 4.7 million
- Confirmed oil flow from the MKB project in Congo-Brazzaville



Operational update

Brazil

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

Average production from Manati in the quarter was 5.58 million m^3 (3,510 boe net to Panoro) per day, resulting in sales of 3,360 boe/day. This represents an increase in production of approximately 12% from the second quarter 2009 and a decrease of approximately 5% compared to the first quarter 2010. The increase in production towards the end of the quarter was mainly due to increased gas demand in the North East from the Thermo Electric Plants. The field reached a historical record production of 7.82 million m^3/day on June 22, 2010, which underlines the field's capacity as a swing producer.

Third-quarter production to date (through August 19, 2010) averaged 6.41 million m^3 (4,035 boe net to Panoro) per day.

Panoro Energy and its partners are discussing an amendment to the existing gas contract to include all additional gas volumes in the field.

BS-3 Project (Cavalo Marinho (50%), Estrela-do-Mar (65%) and Coral redevelopment (35%))

In line with Panoro Energy's desire to look at synergies for development of the reservoirs in the area, the Brazilian National Petroleum Agency ("ANP") has rejected the current separate development plans for Cavalo Marinho and Caravela (100% Petrobras), Estrela-do-Mar and Tubarão (100% Petrobras) in the BS-3 area.

In particular, the ANP has requested the operator to consider inclusion of the B1 reservoir in the development. This request is aligned with Panoro Energy's preferred concept for development in this area. The partners are also discussing the possibility of redeveloping the Coral field as part of the BS-3 joint development. Petrobras has for the first time presented potential pre-salt possibilities within the Coral licence area.

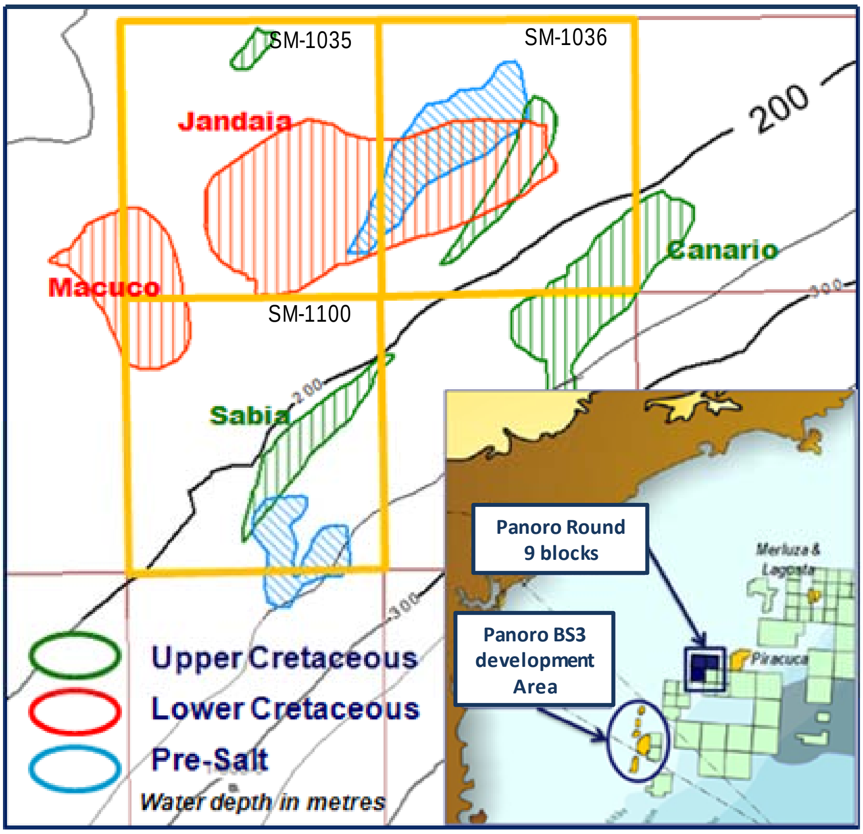
Santos Round 9 Exploration Assets (Panoro Energy 50% (Operator), Brasoil 50%)

Panoro Energy is encouraged by the preliminary results from the 3D seismic. Four post-salt leads have been identified with a gross unrisked resource potential of 200 – 800 MMBOE. Risking of the leads has not yet been completed.

Additional 3D seismic data have been acquired from PGS in order to obtain full coverage over the Canario prospect that straddles the boundary of our block. Panoro Energy has also acquired a full set of original seismic gathers (for AVO and amplitude analysis) and the new Pre-stack depth migration ("PSDM") data. These additional seismic products were only received from PGS at end July and the PSDM data were delivered in mid-August. Panoro's in-house technical team is now completing a robust technical description of the prospects to provide more reliable resource estimates for the leads identified. The current work indicates that there are four primary leads in the acreage, Jandaia, Canario, Sabia and Macuco, shown in the map below. The reference to leads remains until Panoro's assessment is completed, including volumetrics and risking. At this point, the term Prospect may be applied to those leads considered viable and drillable.

Panoro Energy is planning to attract a partner and a farm-out process will commence shortly.

Below is a brief description of our four primary leads.



- **Jandaia** is a significant structural closure with potential reservoir in the Albian Upper Guaruja carbonates, and is a direct analogue to the BS-3 area fields. It is around 5,500 meters below mudline, in approximately 180 meters water depth.
- **Canario** is a complex faulted structural closure with potential reservoir in the Upper Cretaceous Ilhabela/Itajai turbidites. There is a direct analogue for Canario in the Piracuca discovery, located some 25km to the Northeast of Canario. It is around 4,200 meters below mudline, in approximately 220 meters water depth and most of the volumes in this prospect are expected to be on Panoro Round 9 block SM-1036.
- **Sabia** is a stratigraphic lead located on block SM-1100, with potential reservoir in the Upper Cretaceous Ilhabela/Itajai turbidites. The turbidites form a thick wedge in the basin to the south east, but thin and terminate against a salt-related fault. It is around 4,200 meters below mudline, in approximately 220 meters water depth.
- **Macuco** is a relatively small structural closure with potential reservoir in the Albian Lower Guaruja carbonates. This reservoir interval has not been penetrated by drilling to date in the area and lies beneath 6,000 meters. Most of the volumes in this prospect are expected to be on Panoro Round 9 blocks SM-1035 and SM-1100.

CONGO-BRAZZAVILLE

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

Operations commenced in mid-July on Kun-4bis and Kun-5 wells. This includes running a completion string, hydraulically fracturing the wells and production testing. During the clean-up program, each well indicated oil rates of around 600 Bbl/day through a 24/64" choke over a short period. A regular production test however has not yet been conducted. The partners plan to jointly press release results once such data has been established. Past production from this field has shown that the initial production decline will be rapid before the wells stabilise at a longer term sustainable rate. Panoro Energy expects that production testing from these wells will allow proved developed and proved undeveloped reserves to be booked later this year.

SNPC (Congo National Oil Company) has mobilised their drilling rig from its previous location and a rig contract is being negotiated to execute additional 6 wells as part of the pilot program to optimize future development of the MKB permit. We expect to commence the drilling program in Q4-2010.

The Company underlines that the field is currently in a pilot production phase. Subsequent to an evaluation of the 2+6 well pilot program, a full field development plan is to be agreed upon by the partners.

Panoro Energy currently has four personnel seconded into the project team under a secondment agreement and are assisting the operator in executing the approved work program.

GABON

Dussafu Marine (Harvest, 66.6667% (Operator), Panoro Energy 33.3333%):

The partners have agreed with the Directorate General de Hydrocarbunes (DGH) the drilling of the Ruche Marine-1 exploration well to test the Hibiscus East prospect offshore Gabon. This is now expected to take place in the first half of 2011. In preparation for choosing a rig, a bathimetry survey was acquired in April, a geophysical site survey acquired in May (to satisfy the shallow drilling hazards aspects of the rig insurance) and a geotechnical seabed coring survey was completed in July.

NIGERIA

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

In August 2010, Chevron completed and communicated to the partners a new PSDM interpretation of the Aje field. Panoro Energy's preliminary interpretation of this work indicates recoverable resources of 100 – 300 MMBOE from the field. This highlights the large uncertainty with regards to recoverable volumes from this field. Panoro Energy will retain an independent, third-party consultancy to review the new PSDM seismic and certify contingent resources by year-end. Commercial agreements for transportation and sales of gas from the field have not to date been reached. Additionally, new local content regulations are now expected to increase the cost of developing the field.

The Joint Venture partners are evaluating the impact of these issues on the timing of the commencement of Front End Engineering and Design ("FEED") but this will now be delayed to ensure that the selected development concept is optimized for the new assessment of the resource base.

Ajapa (Brittania-U Operator, Panoro Energy 40%):

A sale and purchase agreement between the wholly owned subsidiary of Panoro Energy and Brittania-U Nigeria Limited, has recently been signed for a sale price of USD 30 million, however the agreement is contingent upon proof of funding as well as government approval.

The field has completed a test production program during 2010, and is currently shut-in due to a problem with the flowline. The field is awaiting start-up of commercial production, however, as Panoro is divesting its interest in Ajapa the Company will not provide operational updates going forward.

NIGERIA-SAO TOME JDZ

Block 3 (Addax Operator, Pan-Petroleum 10%):

The PSC (Production Sharing Contract) phase 1 continues until 13th September 2010. At this point, Panoro Energy intends to relinquish the license**.**

Financial information

Income statement review

EBITDA for the second quarter of 2010 was negative USD 3.6 million, down from positive USD 6.4 million in the previous quarter. The decline is mainly due to significant one-off merger related costs of USD 4.7 million, as well as a USD 4.7 million seismic charge in Brazil.

A decline of 5% in gas revenues for the second quarter in comparison to the first quarter of 2010 was a direct result of decline in sales volumes offset by a slight gain on strengthening of the Real to USD. Further, consequent to the increase in production compared to 2009, the production from Manati is now subject to Special Participation Charge of which is estimated to be USD 800 thousand to USD 1 million annually.

Production costs for the second quarter of USD 1.2 million increased by USD 0.2 million compared to the previous quarter despite a decline in production volumes. This is mainly due to movements in forex compared to previous quarter.

Exploration and dry-hole costs for the current quarter represented USD 4.7 million that related to seismic costs of USD 1.8 million, which is cost allocated to the work conducted in 2010. The remaining USD 2.9 million is the costs of contractual obligations related to data acquisitions, interpretations and related work.

Depreciation has increased by USD 155 thousand to USD 1.9 million in comparison to previous quarter despite the decline in production volumes. The increased charge is attributable to fluctuations in foreign currency rates compared to previous quarter and effects of recent revisions to reserves estimates. Year to date depreciation has increased by 19% in relation to 2009, primarily due to unfavourable foreign exchange fluctuation and minor impact of revision in reserves estimates.

Year to date EBITDA has increased by approximately 36% consequent to 25% higher production volumes than the corresponding period supplemented by a 20% higher USD unit price compared to 2009 due to improved currency exchange rates against USD. Production cost for 1H 2010 stood at 11% of gas sales revenue compared to 13% for 1H 2009. Year to date exploration costs for 2010 were down by USD 2.6 million from the comparable period of 2009. The decline was offset by an increase in one off merger costs by USD 5.5 million incurred up to 30 June 2010. General and administrative costs increased by USD 1.1 million quarter on quarter, USD 1.5 million year to date on account of corporate costs of Panoro.

The current period also include USD 2.9 million of gain on acquisition of subsidiary which represents the excess of fair value of the Pan-Petroleum net assets over the fair value of the consideration shares issued at the time of the merger. This has been recognised as income in accordance with IFRS 3.

Net effects of foreign exchange items were negative USD 2.6 million which primarily arose on the NOK denominated NEC01 bond, cash balances in Panoro Energy and exchange loss on conversion of Brazilian debts into local currency (BRL) from US dollars. The non-cash effect of the Company's warrants issued in second quarter of 2010 was a loss of USD 0.5 million compared to the initially recognised value.

Year to date net interest costs of USD 9.8 million increased by USD 3.8 million compared to the same period in 2009 and for the second quarter stood at USD 5.7 million compared to USD 4.1 million for Q1 2010. The increase is a direct result of higher interest charges prior to restructuring incurred on the Brazilian external loans and the interest on NEC-01 bond.

Income tax mainly pertains to Brazilian operations and stood at a benefit of USD 2.3 million for the first half of the year compared to an expense of USD 7.9 million for the comparable period in 2009. On a quarterly basis, the income tax benefit increased from USD 0.4 million to USD 2 million from 1Q 2010 to 2Q 2010. This is mainly due to increase in deferred tax assets recognised for the period.

Net loss for the first half of 2010 was USD 8.6 million compared to USD 16.3 million in the comparative period. 2Q 2010 resulted in a net loss of USD 6.9 million compared to USD 1.6 million in 1Q 2010.

Bonds, debt, associated warrants and other financial information

On June 30, 2010 the Company finalised the previously announced bond restructuring. Upon the demerger from NEC, Panoro Energy ASA assumed obligations as borrower for the NOK 286.5 million NEC01 bond loan. As part of this restructuring, a prepayment of approximately NOK 43 million (15%) plus accumulated interest was made to NEC01 bondholders after the close of the quarter. Remaining principal repayments amount to approximately NOK 122 million in 2011 and 122 million 2012. The loan carries a fixed interest rate of 13.5%.

The Company was in compliance with its loan covenants by the end of the quarter. At the end of the second quarter, the equity ratio was 52%, up from 34% at the end of the previous quarter. The stock price closed the quarter at NOK 5.63 per share and the PEN-J warrants closed at NOK 0.50.

Funding

In connection with the listing of the Company on the Oslo Stock exchange, the Company raised the NOK equivalent of USD 65 million at NOK 12.60 (post split) per share, fixed at a NOK/USD of 5.85 in a share issue. The shares were placed among Sector Asset Management, Norse Energy Corp ASA and other institutional and retail investors during late Q1-10. The funds were to become available contingent upon the merger being approved on June 30. However, certain shareholders requested shares prior to the merger being finalized and were authorized to waive their condition precedent. Net proceeds were adjusted for the 5% commitment fee as well as currency translation arising from the NOK/USD settlement as funds not waived were held in escrow until all conditions precedents were lifted.

The bond restructuring were finalized during the quarter and the repayment settlement were advanced in mid- July 2010. Total bond debt outstanding after the repayment stands at NOK 243.5 million with remaining principal repayments amounting to approximately NOK 122 million in 2011 and 122 million 2012.

With the recent share issue completed and a signed sales and purchase agreement for the Ajapa asset, the Company is comfortable with its funding situation. With limited firm capital expenditure liabilities over the next 12 months, and the planned farm-down process for the Round 9 assets in Brazil, the Company is further improving its financial flexibility going forward.

The Company has been discussing with a bank syndicate the opportunity to leverage on the MKB Congo operation with a ring fenced reserve based lending facility. Panoro expects to have a financing proposal completed by Q2-11, pending successful completion of the additional four well drilling program.

Cash and cash equivalents increased by USD 46 million in the second quarter to USD 56 million at the end of Q2-10. Net interest bearing debt decreased from USD 131.0 million per March 31, 2010 to USD 74.1 million per June 30, 2010.

Corporate issues

On June 8, 2010, the demerger from Norse Energy Corp. ASA ("NEC") was concluded with the listing of Panoro Energy ASA on the Oslo Stock Exchange. The shares in Panoro Energy trade under the ticker code "PEN". In connection with the demerger from NEC, each shareholder of NEC received one share in PEN for every 10 shares held in NEC. Similarly, each NEC-J warrantholder received one PEN-J warrant for every 10 NEC-J warrants. 7.5 million PEN-J warrants were listed on the Oslo Stock Exchange on June 15, 2010. The warrants have a strike price of NOK 15.71 and expire on July 1, 2011.

In the first quarter 2010, Norse Energy announced its intention to form a South Atlantic oil and gas independent by merging its Brazilian assets with London-based Pan Petroleum, an oil company focusing on assets in West-Africa. The merger proposal was approved by an Extraordinary General Meeting on April 26, 2010. Financing for the estimated capital requirements for the first 12 months in the combined company was secured through a USD 65 million private placement in March 2010.

The merger was finalised on June 29, 2010. Following the merger and the USD 65 million private placement, there are 163,947,081 shares outstanding in Panoro Energy ASA, each with a nominal value of NOK 1.46. 95,638,921 shares in the Company are non-listed shares issued under a different ISIN until a prospectus has been approved and filed, such filing is expected to take place in September 2010 where after these shares will be automatically converted into ordinary listed shares.

On July 7, 2010, the Extraordinary General Meeting (EGM) in Panoro Energy ASA elected Ernst & Young as auditor of the Company. Furthermore, the EGM elected new members of the Board of Directors (BOD) in the Company. Dr. Phil Vingoe was elected Chairman of the BOD and subsequently members of the BOD consist of Dr. Phil Vingoe, Tord Pedersen, Christine M. K. Wheeler, Ragnar Søegaard and Katherine Støvring. For more information on the members of the BOD, please visit www.panoroenergy.com.

Risks & uncertainties

Financial risks & Uncertainties

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

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

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

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

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

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

The Company currently has interest rate risk exposure arising from changes in USD, BRL (Brazil only) and NOK interest rates on long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed-rates expose the Company to fair value interest rate risk. Currencies the Company is exposed to may change over time.

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

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

Operational risks & Uncertainties

The development of oil and gas fields in which the Company is involved is associated with technical risk, alignment in the consortiums with regards to development plans, and on obtaining the necessary licenses and approvals from the authorities. Such operations might occasionally lead to cost overruns and production disruptions, as well as delays compared to the plans laid out by the operator of these fields. Furthermore, the Company has limited influence on operational risk related to exploration success and development of industry cost.

On Manati in Brazil, our ability to maximise the value of this asset is dependent on entering an agreement to sell the remaining reserves on the field, beyond the 23 million cubic meters currently under the contract. Whilst discussions are ongoing with Petrobras and we believe the risk of not agreeing to sell the remaining volumes is very small, the consequences of not being able to sell this gas would be large. Our ability to improve our cost of debt may also be affected by delays in executing this additional gas sales contract.

In the Aje field in Nigeria, we are assessing the impact of new PSDM interpretation, the lack of commercial agreements to transport and sell production, and likely cost increases. These factors may delay the movement of the project through the next gate.

On MKB in Congo-Brazzaville, the operator is relatively inexperienced. We mitigate this through the secondment of personnel into the project team however it may be difficult to drive the cost structure down to a best practice levels. It may also be difficult to deliver the best in class fracing technology being used elsewhere in the world to this difficult part of the world.

On BS-3 in Brazil, whilst we believe that the concept of an integrated development plan may be optimal for Panoro Energy, the operator Petrobras has other fields in the area it may be difficult to influence them to develop the fields in a way that is favourable to Panoro Energy. In addition, priorities in the pre-salt area in the Santos basin may deviate Petrobras' technical resources away from our relatively small fields.

On the three Brazil Round 9 blocks, there is currently a drill or drop decision in March 2011. Our ability to continue in the blocks and undertake the financial commitment of drilling a well is dependent on our ability to farm out these blocks to new partners. Whilst an extension to this March 2011 deadline is being sought, it may not be possible to achieve this.

On Ajapa in Nigeria, our sale agreement for USD 30 million is dependent on government approval and our Nigerian counterpart is currently raising the finance to be able to complete on this transaction. There is a risk that the government approves the transfer of our interest and we are not paid in a timely manner, or not at all. In this scenario we will need to use legal recourse to recover these funds.

Outlook

With encouraging initial results from Congo Brazzaville, the partners continue to progress the pilot program with the near term production testing of the two wells, before commencing the drilling of additional six wells of the pilot program in the Kundji field. A full field development plan will be agreed upon subsequent to the results from the pilot project in 2011.

In Nigeria, the Company is awaiting proof of funding and the necessary government approvals in order to complete the sale of the Ajapa field.

In Brazil, the Manati field should continue to provide the Company with production levels around the contracted level of 6 million m^3 per day, although with considerable daily volatility. Moreover, discussions for an amendment to the existing gas contract to include all additional gas volumes will continue and should open for improved lending terms as bankable reserves are to increase.

For the Round 9 licenses in Brazil, the Company aim to shortly finalise interpretation of the 3D seismic and commence a partial farm out process.

After the completion of the merger, emphasis has been on organizational integration and setting up a framework for an aligned strategy forward.

The Board of Directors

Panoro Energy ASA

Oslo, August 26, 2010

Dr. Phil Vingoe
Chairman

Tord Pedersen
Board member

Katherine H. Støvring
Board member

Christine M.K. Wheeler
Board member

Ragnar Grundtvig Søegaard
Board member

CONDENSED CONSOLIDATED STATEMENT OF COMPRHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010

Q2 2009	Q1 2010	Q2 2010		Note	YTD 2010	YTD 2009
(Unaudited) - USD 000					*(Unaudited) - USD 000*	
7,781	10,236	9,695	Oil and Gas revenue		19,931	14,003
-	251	-	Other income		251	-
7,781	**10,487**	**9,695**	**Total revenues and other income**	4	**20,182**	**14,003**
839	954	1,164	Production costs		2,118	1,886
-	81	4,659	Exploration related costs	9	4,740	7,355
1,654	2,271	2,786	General and administrative costs		5,057	3,571
-	780	4,678	Merger and restructuring costs		5,458	-
5,288	**6,401**	**(3,592)**	**EBITDA**		**2,809**	**1,191**
1,690	1,811	1,966	Depreciation	7	3,777	3,170
3,598	**4,590**	**(5,558)**	**EBIT - Operating income/(loss)**		**(968)**	**(1,979)**
-	-	2,931	Gain on acquisition of subsidiary	3.2	2,931	-
(3,375)	(4,103)	(5,678)	Net finance income/(costs)		(9,781)	(6,008)
31,421	(2,513)	(47)	Net foreign exchange gain/(loss)		(2,560)	32,209
-	-	(577)	Warrants effect - gain/(loss)		(577)	-
31,644	**(2,026)**	**(8,929)**	**Income/(loss) before tax**		**(10,955)**	**24,222**
(15,397)	377	2,008	Income tax benefit/(expense)	5	2,385	(7,961)
16,247	**(1,649)**	**(6,921)**	**Net income/(loss) for the period**		**(8,570)**	**16,261**
13,526	(2,175)	(10)	Exchange differences arising from translation of foreign operations		(2,185)	13,765
13,526	**(2,175)**	**(10)**	**Other comprehensive income/(loss) for the period (net of tax)**		**(2,185)**	**13,765**
29,773	**(3,824)**	**(6,931)**	**Total comprehensive income/(loss) for the period**		**(10,755)**	**30,026**
			Net income /(loss) for the period attributable to:			
16,247	(1,695)	(5,502)	Equity holders of the parent		(7,197)	16,261
-	46	(1,419)	Non-controlling interests		(1,373)	-
			Total comprehensive income/(loss) for the period attributable to:			
29,773	(3,217)	(5,151)	Equity holders of the parent		(8,368)	30,026
-	(607)	(1,780)	Non-controlling interests		(2,387)	-
			Earnings per share (Note 6)			
0.50	(0.03)	(0.08)	(USD) – Basic and diluted for income/(loss) for the period attributable to equity holders of the parent		(0.11)	0.56

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

Amounts in *USD 000* (Unaudited)	Note	30-Jun 2010	31-Mar 2010	31-Dec 2009
Non-current assets				
Licenses and exploration assets	7	190,375	124,409	126,300
Production assets and equipment	7	102,856	106,380	111,300
Property, furniture, fixtures and office equipment		1,460	1,076	2,806
Deferred tax assets		27,411	24,819	22,564
Other non-current financial assets		-	301	308
Other non-current assets		1,237	1,251	1,791
Total Non-current assets		***323,339***	***258,236***	***265,069***
Current assets				
Trade and other receivables		15,383	14,709	14,715
Cash and bank balances	8	56,347	10,239	13,105
Total current assets		***71,730***	***24,948***	***27,820***
Assets classified as held for sale	10	30,000	-	-
Total Assets		***425,069***	***283,184***	***292,889***
Equity				
Share capital		38,141	76,692	76,692
Other equity		183,972	(10,842)	(7,625)
Total Equity attributable to equity holders of the parent		***222,113***	***65,850***	***69,067***
Non-controlling interests	11	-	29,477	30,084
Total Equity		***222,113***	***95,327***	***99,151***
Long-term liabilities				
Long-term interest bearing debt	12	100,665	38,284	-
Deferred tax liabilities		11,731	-	-
Liabilities related to w arrants	13	577	-	-
Other long-term liabilities		24,267	20,756	20,928
Total long-term liabilities		***137,240***	***59,040***	***20,928***
Short-term liabilities				
Short-term interest bearing debt	12	29,817	39,499	80,887
Loan payable to Norse Energy Corporation ASA	14	-	63,433	57,946
Accounts payable, accruals and other liabilities		35,899	25,885	33,977
Total short-term liabilities		***65,716***	***128,817***	***172,810***
Total Liabilities		***202,956***	***187,857***	***193,738***
Total Equity and Liabilities		***425,069***	***283,184***	***292,889***

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

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2010

	30 June 2010 *USD 000* (Unaudited)	30 June 2009 *USD 000* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the period before tax	(10,955)	24,222
Adjusted for:		
Depreciation	3,761	3,170
Market adjustments for warrant effects	577	-
Non-cash exploration related costs	-	7,300
Gain on sale of property	(251)	-
Net finance costs	9,781	6,008
Other adjustments -including working capital	(20,108)	(61,770)
Net cash flows from operating activities	**(17,195)**	**(21,070)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Exploration, production and other assets	(954)	(9,546)
Proceeds from sale of property	1,421	-
Net cash acquired at acquisitions	4,304	-
Net cash flows from investing activities	**4,771**	**(9,546)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of shares	54,851	30,000
Net interests paid	(8,417)	(2,840)
Financial liabilities raised / (repaid)	9,135	(4,117)
Net cash flows from financing activities	**55,569**	**23,043**
Foreign exchange differences	97	2,550
Change in cash and cash equivalents during the period	43,242	(5,023)
Cash and cash equivalents at the beginning of the period	10,655	7,597
Cash and cash equivalents at the end of the period	**53,897**	**2,574**

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For six months ended 30 June 2010 Amounts in USD 000	Attributable to equity holders of the parent Issued capital	Share premium	Retained earnings	Currency translation adjustment	Total	Non-controlling interests	Total equity
At 1 January 2010 (unaudited)	76,692	-	(30,005)	22,380	69,067	30,084	99,151
Income / (loss) for the period	-	-	(1,695)	-	(1,695)	46	(1,649)
Other comprehensive income	-	-	-	(1,522)	(1,522)	(653)	(2,175)
Total Comprehensive income	-	-	(1,695)	(1,522)	(3,217)	(607)	(3,824)
At 31 March 2010 (unaudited)	76,692	-	(31,700)	20,858	65,850	29,477	95,327
Income / (loss) for the period	-	-	(5,502)	-	(5,502)	(1,419)	(6,921)
Other comprehensive income	-	-	-	351	351	(361)	(10)
Total Comprehensive income	-	-	(5,502)	351	(5,151)	(1,780)	(6,931)
Re-organisation of share capital on de-merger	(76,692)	-	-	-	(76,692)	-	(76,692)
Issue of shares - for de-merger and acquisition of Pan AS	31,372	151,883	-	-	183,255	(27,697)	155,558
Issue of shares - for cash (net)	6,769	48,082	-	-	54,851	-	54,851
At 30 June 2010 (unaudited)	**38,141**	**199,965**	**(37,202)**	**21,209**	**222,113**	**-**	**222,113**

For six months ended 30 June 2009 Amounts in USD 000	Attributable to equity holder of the parent Issued capital	Share premium	Retained earnings	Currency translation adjustment	Total	Non-controlling interests	Total equity
At 1 January 2009 (unaudited)	45,257	-	(40,141)	1,760	6,876	-	6,876
Income / (loss) for the period	-	-	14	-	14	-	14
Other comprehensive income	-	-	-	239	239	-	239
Total Comprehensive income	-	-	14	239	253	-	253
At 31 March 2009 (unaudited)	45,257	-	(40,127)	1,999	7,129	-	7,129
Income / (loss) for the period	-	-	16,247	-	16,247	-	16,247
Other comprehensive income	-	-	-	13,526	13,526	-	13,526
Total comprehensive income	-	-	16,247	13,526	29,773	-	29,773
Increase of share capital	41,221	-	-	-	41,221	26,950	68,171
At 30 June 2009 (unaudited)	**86,478**	**-**	**(23,880)**	**15,525**	**78,123**	**26,950**	**105,073**

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

Notes to the condensed interim consolidated financial statements

1. Corporate information

The holding company, Panoro Energy ASA ("the Company" - formerly known as New Brazil Holdings ASA), was incorporated on April 28, 2009 as a public limited company under the Norwegian Public Limited Companies Act of June 19, 1997 No. 45. The registered organisation number of the Company is 994 051 067 and its registered office is Dronning Maudsgt. 1-3, 0124 Oslo, Norway.

The Company and its subsidiaries are engaged in exploration and production of oil and gas resources in Brazil and Western Africa. The condensed interim consolidated financial statements of the Group for the six months ended June 30, 2010 were authorised for issue by the Board of Directors on August 26, 2010.

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

2. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU. The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial information contained in the Company's prospectus published on June 7, 2010. Copy of the prospectus is available on the Company's website at http://www.panoroenergy.com.

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

2.1 Comparative information

Panoro Energy ASA was formed as a legal mechanism to effect a business combination between two existing entities, Norse Energy do Brasil (NEdB) and Pan Petrol Holdings (Cyprus) Limited (PPHCL), and, in its own right, had no commercial substance. The acquisitions of PPHCL and NEdB were both settled by issuance of ordinary shares in Panoro Energy ASA in exchange for voting shares in PPHCL and NEdB.

On June 7, 2010, the Company completed the de-merger from Norse Energy Corporation ASA ("NEC") whereby voting shares in a portfolio of the Brazilian assets (NEdB) was split from the NEC group and acquired by the Company. Ordinary shareholders in NEC at the time of de-merger were issued one share in the Company for every ten ordinary shares held in NEC.

For the purpose of these financial statements the transaction for completion of de-merger has been considered under the guidance of paragraph B19 to IFRS 3 (Revised) and hence has been accounted for under the pooling of interests method which involves presenting companies as if they had always been combined with no fair value adjustments.

The pooling of interests method requires presentation of NEdB and Panoro as a combined business since inception and therefore the comparative information represents the NEdB historical financial statements pooled with Panoro. Having incorporated in 2009, Panoro had no operations up to December 31 2009 and as such no results of the Company are reflected in the comparative information.

2.2 Adoption of new and revised International Financial Reporting Standards (IFRS) and interpretations

The Company has adopted new standards and interpretations that became effective for accounting periods beginning January 1, 2010. The impacts of new standards are noted below:

- **IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions**

  The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

- **IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**

  The Group applies the revised standards from January 1, 2010. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

  IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

- **IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items**

  The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position nor performance of the Group.

- **IFRIC 17 Distribution of Non-cash Assets to Owners**

  This interpretation provides guidance on accounting for arrangements whereby an entity distributes noncash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position nor performance of the Group.

- **Improvements to IFRSs (issued May 2008)**

  In May 2008, the Board issued its first omnibus of amendments to its standards. All amendments issued are effective for the Group as at December 31, 2009, apart from the following:

- **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:**

  Clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively and had no impact on the financial position nor financial performance of the Group.

- **Improvements to IFRSs (issued April 2009)**

  In April 2009, the Board (IASB) issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

- **IFRS 8 Operating Segment Information:**

  Clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in Note 4.

- **IAS 7 Statement of Cash Flows:**

  Explicitly states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement. Management will make an assessment of impact when such transaction happens.

- **IAS 36 Impairment of Assets:**

  The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

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

2.3 Significant accounting judgments, estimates and assumptions

Estimates and assumptions

The preparation of the financial statements in conformity with IFRS requires management to make 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. Estimates and judgments 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 estimation uncertainty considered by management in preparing the condensed interim consolidated financial statements are as follows:

Reserves

The Group obtains reserve reports at least annually to establish the expected production profiles for the fields in production and the expected economic lifetime of the fields. Any significant reduction in reserves might lead to a write down of field investments through impairment tests, increased future depreciation and alterations of planned capital expenditures.

Exploration and leasehold costs

The Group capitalises the costs of drilling exploratory wells and leasehold costs pending determination on whether the wells have found proved oil and gas reserves. Judgments on whether these expenditures should remain capitalised or charged to exploration and dry hole cost in the period may materially impact the operating income.

Price of oil and natural gas

The Group's sales of crude oil and natural gas are subject to price fluctuations. Any substantial fall in the price of oil and natural gas might have material effect on the value of the oil and natural gas fields.

Judgments

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

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. 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 goodwill and tangible assets. The Group monitors internal and external indicators of impairment relating to its tangible and intangible assets.

Decommissioning costs and obligations

Decommissioning costs will be incurred by the Group at the end of the operating life of certain of the Group's facilities and properties. The ultimate decommissioning 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 and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Technical risk in development of oil and gas fields and production start-up

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 production start. 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.

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.

Additionally 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.

Contingencies regarding revenue based payments

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. 4 Basis of consolidation

Subsidiaries

The condensed interim consolidated financial statements include Panoro Energy ASA ("Panoro") and its subsidiaries as of June 30, 2010. 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. Subsidiaries are all entities in which the Group directly or indirectly owns more than 50 percent of the voting stock or otherwise has the power to govern the financial and operating policies.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered.

Non-controlling interests in subsidiaries are identified and reported separately from the Group's equity therein. Acquisition of the minority shares can result in goodwill if the cost exceeds the carrying amount of the acquired assets. Where the acquisition cost is below the carrying amount of the acquired asset, the gain is recognised in the statement of comprehensive income at acquisition.

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 plus any cost directly attributable to the business combination.

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.

Segment reporting

A reportable segment is a business segment or a geographical segment identified based on the foregoing definitions for which segment information is required to be disclosed.

The operations of the Group comprise one class of business, being oil and gas exploration, development and production and in only three geographic areas: Brazil, Nigeria, Gabon and the Congo.

For management purposes the Group reports capital expenditure by licence in West Africa and by economic unit in Brazil. Operating segments comprise: Dussafu Marin, JDZ3, OML90 –Ajapa, OML 115, OML113 and Manati and Brazil licences which includes Sardinha, BS3 and Round 9 licences.

2.5 Foreign currency translation

Functional currency and presentational currency

The consolidated financial statements are presented in USD, which is the functional currency of Panoro. 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 Group's consolidated financial statements are presented in US dollars, which is the parent company's functional currency: all values are rounded to the nearest thousand (USD 000), except when otherwise indicated.

The functional currency of the Group's subsidiaries incorporated in Gabon, Nigeria, Cyprus, Holland, British Virgin Islands, Republic of Congo and the Cayman Islands is the US dollar ('USD'). The functional currency of the Group's Brazilian subsidiaries is Reais ('BRL') and for the British subsidiaries is the Pound Sterling ('GBP').

The foreign exchange rates applied for the interim periods were:

	30 June 2010		31 Dec 2009	30 Jun 2009 - HY	Q2 2010	Q1 2010	Q4 2009
	Average rate	Reporting rate	Reporting rate	Reporting rate	Average rate	Average rate	Average rate
Brazilian Real /USD	1.7965	1.8015	1.7412	1.9516	1.7927	1.8003	1.7387
USD/GBP	N/A	1.4459	N/A	N/A	N/A	N/A	N/A

Transactions and balances

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the date of the statement of financial position. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the date of the statement of financial position. Any resulting exchange differences are included in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rates of exchange as at the dates of the initial transactions applying the rate of exchange prevailing at the date of the transaction.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Change in functional currency in Brazil

After the production from the Coral field ceased in the fourth quarter 2008, the Company's subsidiaries Norse Energy do Brasil ("NEdB") and Coplex Petroleo do Brasil ("Coplex") no longer had revenues denominated in US dollar. Costs for these entities are mainly denominated in Brazilian Reais. As a result, management concluded that as of January 1, 2009, Reais will be the appropriate currency of the primary economical environment in which NEdB and Coplex operate.

Following this development, it was deemed necessary to change the functional currency of these two subsidiaries from US dollar to Brazilian Reais. The Company's subsidiary Rio das Contas, with its 10% Manati ownership, remains a Reais functional currency entity. In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", the change of functional currency is accounted for prospectively. All items are translated into the new functional currency using the exchange rate at the date of the change (January 1, 2009). For non-monetary items, the resulting translated amounts are carried at their historical cost, being the BRL translated amount of January 1, 2009.

2.6 Licence 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. Until such time, E&E expenditure is expensed as incurred: regardless of the probability that future economic benefits will be recoverable, pre-licence costs are expensed as incurred.

E&E expenditure capitalised as intangible assets include license acquisition costs, exploration drilling. Exploration and evaluation expenditure which is not sufficiently closely 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. Costs to drill exploratory wells that do not find proved reserves, exploratory geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

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 fixed assets. No depreciation and/or amortisation is 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, it is transferred to production assets. No depreciation or amortisation is charged during the exploration and evaluation phase.

Oil & gas production assets

Development and production assets are accumulated generally on cash generating unit basis and represent the cost of developing the commercial reserves discovered and bringing them in to 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, finance costs capitalised 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 and intangible assets are depreciated or amortised using the unit-of-production method. Unit-of-production rates are based on proved and probable reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing facilities using current operating methods. Oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

Impairment – exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment and prior to year-end in an annual review. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

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 future value of the future net cash flows, expected to be derived from production of commercial reserves. 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 the cash flows of each field are interdependent.

2.7 Joint ventures

IFRS defines joint control as contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

The Group accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

2.8 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. Land is not depreciated. Depreciation of other assets is calculated on a straight line basis as follows:

Property	4%
IT and computer equipment	20% to 33.33%
Furniture, fixtures & fittings	10% to 33.33%

2.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. This category comprises derivatives unless they are effective hedging instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. This category comprises trade and other receivables and cash.

2.10 Derivative financial instruments

Derivative financial assets and financial liabilities are financial instruments whose value changes in response to an underlying variable, require little or no initial investment and are settled in the future. The Company may use derivatives such as foreign exchange forward contracts to minimise risks of changes in foreign exchange rates. The Group would not apply hedge accounting in respect of forward foreign exchange contracts as the management believes that any future derivative would not qualify for hedge accounting. Consequently, movements in the fair value of derivative instruments would be immediately recognised in the statement of comprehensive income.

2.11 Business combinations, goodwill, asset purchases and disposals

Business combinations are accounted for under IFRS 3 (Revised) using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the statement of financial position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the statement of comprehensive income. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities. After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the statement of comprehensive income.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Acquisitions of oil and gas properties are accounted for under the purchase method where the acquisition meets the definition of a business combination.

Transactions involving the purchases of an individual field interest, or a group of field interests, that do not qualify as a business combination are treated as assets purchases, irrespective of whether the specific transactions involved the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill, no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the statement of comprehensive income.

2.12 Trade and other receivables

Trade and other receivables are presented at recoverable amounts. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash at hand, and deposits held on call with banks. Restricted cash with banks is not considered as a cash equivalent.

2.14 Inventories

Inventories, except for petroleum products, are valued at the lower of cost and net realisable value. Petroleum products and under and over lifts of crude oil are recorded at net realisable value, under inventories and other debtors or creditors respectively.

2.15 Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group's management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Once property, plant and equipment and intangible assets are classified as held for sale, no further depreciation will take place.

2.17 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings and loans

All borrowings are initially recorded at fair value. Interest-bearing loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Where borrowings are made at rates of interest below the normal commercial rate, borrowings are discounted to fair value based on market rates of interest for similar arrangements. Differences arising on the discounting of loans from owners are recorded as separate component of equity.

The Group has bond loans with detachable warrants that are denominated in USD. The warrants are settled in NOK. The IFRS definition of an equity instrument has not been met. As a result, these warrants have been classified as a liability. The warrants are adjusted to fair value at each reporting date with a corresponding charge to the statement of comprehensive income.

An exchange of bonds with substantially different terms or a substantial modification of terms is accounted for as an extinguishment of the original financial liability and recognition of the new financial liability. Change of currency in the bonds is considered a substantial modification.

2.19 Current and deferred income tax

Current tax is the amount expected to be paid in respect of taxable profits for the current and prior periods. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position in the countries where the Group's subsidiaries and operate and generate taxable income.

Deferred income tax is provided in full, using the liability method for tax loss carry forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.20 Provisions

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 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 provisions.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of petroleum products in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group.

Revenue from petroleum products

Revenue from the sale petroleum products are recognised as income using the "entitlement method". Under this method, revenue is recorded on the basis of the asset's proportionate share of total gas sold from the affected wells. Revenue is stated net of value-added tax and royalties.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Rendering of services

Sales of services are recognised in the accounting period in which the services are rendered, and it is probable that the economic benefits associated with the transaction will flow to the entity, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

2.22 Leases

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the statement of comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

2.23 Pension expenses

All employees in Norway and the UK are organised under a defined contribution plan in which pension fund contributions are charged to profit upon payment. There is no pension plan for the employees in Brazil.

2.24 Classification in statement of financial position

Assets and liabilities with a settlement date of more than one year from the date of the statement of financial position are classified as non-current items. Other assets and liabilities are classified as current items.

3. Business combination

The general meeting of the Company approved a merger with Pan-Petroleum Holding AS on April 26, 2010. This business combination was aimed to create a strong South Atlantic oil & gas independent with a reserve and resource base and establishes a solid foundation for further growth through additional M&A activities. The combination of assets was based on a 50/50 equity valuation of Norse Energy do Brasil and Pan-Petroleum.

3.1 Panoro Energy ASA

As per the merger plan, NEC completed the de-merger of assets held through the subsidiary Norse Energy do Brasil on June 7, 2010 whereby every shareholder in NEC was given shares in Panoro in equivalent proportion. As a consequence, the net assets in Norse Energy do Brasil (NEdB) were legally acquired by the Company as of this date. As per the requirements of IFRS 3 "Business Combinations" (as revised in 2008), the de-merger has been deemed as an intermediary transaction by NEC necessary to execute the merger with Pan Petroleum and therefore has been accounted for under the pooling of interests method.

The pooling of interests approach adopted has a number of consequences including that:

- The Group's half year condensed financial statements are prepared on the basis that NEdB and Panoro had always been combined, with the results of NEdB and Panoro included for six months ended June 30, 2010; comparative data for income statement for these condensed financial statements only relates to NEdB as Panoro had no operations prior to 2010.

- The carrying value of NEdB net assets are unadjusted for the combination with Panoro under the pooling of interests method; no goodwill arises as a result of the combination of Panoro with NEdB.

The significant assets and liabilities that were carved out from NEC and designated to Panoro as a consequence of de-merger are as follows:

(i) As per the business combinations agreement dated January 22, 2010, upon completion of the de-merger, the Company assumed obligations as borrower under the NEC 01 loan of NOK 286.5 million (USD 42.7 million). This liability was allocated from Norse Energy Corporation and all necessary approvals were completed as of June 7, 2010.

(ii) The Company issued 7.5 million warrants on June 15, 2010 to the existing warrant holders in NEC in the same proportion of the reverse share split of 10:1. The warrants are exercisable by July 1, 2011 at NOK 15.71 in exchange of one warrant to one share in the Company.

(iii) Attributable tax loss of approximately NOK 351 million equivalent to USD 53 million was available to the Company as a consequence of the de-merger. The loss will be available indefinitely to offset future taxable income of the Company.

3.2 Pan-Petroleum Holding AS

At the time of the de-merger, Pan Holding AS (Pan AS) a newly incorporated Company under Norwegian law acquired 30% interest in NEdB which represented the existing direct share of Sector asset management in NEdB. This represented share of Sector Asset Management in NEdB which was intermediately held in Pan AS to execute the merger. Thereafter, Pan AS on June 29, 2010 acquired 100% shareholding in Pan-Petroleum Holdings (Cyprus) Limited ("PPHCL"). As a result, immediately prior to the merger, Pan AS held 30% interest in NEdB and 100% interest in PPHCL. On June 29, 2010 the merger became effective and the Company completed the acquisition of Pan AS through issue of 86,942,990 equity shares in exchange of 100% holding in Pan AS. Of these, 20,063,766 shares represented consideration for 30% interest in NEdB and the remaining 66,879,224 issued as consideration for 100% interest in PPHCL. This business combination was executed as a legal merger between Panoro Energy ASA and Pan AS under the Norwegian law and immediately following the completion, Pan AS ceased to exist with all assets and liability in Pan AS deemed directly owned by Panoro.

Consideration as of June 29, 2010

		USD 000 (Unaudited)
Issue of ordinary shares (66,879,224 shares at USD 0.94)	(i)	63,067

(i) Purchase consideration has been determined based on the consideration shares attributable to the PPHCL in the combined entity using share price as of June 29, 2010 when the merger became effective.

Details of assets acquired and liabilities assumed

The provisional fair values of the identifiable assets and liabilities of Pan AS as at the date of acquisition are as follows:

		USD 000 (Unaudited)
Cash and cash equivalents		4,304
Furniture, fixtures and equipment		299
Prepayments and other receivables	(ii)	1,877
Intangibles, exploration and evaluation assets		67,491
Assets held-for-sale		30,000
Total Assets		103,971
Accounts payable, accruals and other liabilities		12,593
Loan from Shareholder (Sector)		10,243
Income tax payable		55
Deferred tax liability		11,731
Long-term liabilities		3,351
Total liabilities		37,973
Fair value of net assets at acquisition		65,998
Gain on bargain purchase	(iii)	(2,931)
Total consideration		**63,067**
Cash inflow on acquisition		
Net cash acquired with the subsidiary		**4,304**

(ii) The fair value of assets acquired includes receivables of USD 1.8 million which is the gross amount and expected to be recovered in full.

(iii) Gain on bargain purchase represents excess of fair value of net assets acquired over the purchase consideration. The gain is a direct consequence of the relatively low share price of the Company on the acquisition date.

(iv) If the combination had taken place at beginning of the year, Pan Petroleum related assets would have contributed USD 0.5 million to revenue and a loss of USD 7.5 million to the group.

(v) From the date of acquisition to June 30, 2010, the acquired business did not contribute to any revenues and group's results.

(vi) Acquisition related costs included advisory fees which have been recognised in the Company's statement of comprehensive income amounted to USD 4.2 million. Pre-acquisition merger and de-merger related costs approximated to USD 1.3 million comprising legal, consultancy and advisory costs.

4. Segment information

The Group operated predominantly in two business segment being the exploration and production of oil and gas, which is split by licence for management purposes and four geographical segments being Nigeria, Gabon, Congo and Brazil.

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

- The Dussafu segment holds the Group's 33.3% working interest in the Dussafu Marin exploration licence in Gabon.
- The JDZ 3 segment holds the Group's 10% working interest in the JDZ 3 exploration licence in Nigeria.
- The OML113 – Aje segment holds the Group's 12.5% profit interest in the OML113-Aje exploration licence in Nigeria.
- The MKB Congo segment holds the Groups 20% working interest in MKB exploration licence in Republic of Congo.
- The Brazilian segment holds the following assets:
  - The BCAM-40 prospect holds the Group's 10% interest in Manati which is a producing field in Brazil. This also includes 10% interest in Camarao Norte field which is at a development stage.
  - The BS-3 Project holds Group's interest in a portfolio of offshore licences in Santos basin, Brazil comprising 50% interest in Cavalo Marinho, 65% interest in Estrela-do-Mar and 35% in Coral field which is being considered for redevelopment.
  - The Sardinha licence area holds the Group's 20% interest in the Sardinha field located in Camamu-Almada basin in Brazil. This field is being considered for development.
  - Round 9 blocks represents Group's 50% interest in blocks S-M-1100, S-M-1035 and S-M-1036 acquired in 2007. These blocks are in close proximity to the Coral field. A Company owned subsidiary operates these blocks.
- The 'Other' category consists of head office and service company operations that are not directly attributable to the other segments.
- Interest in licence OML 90 – Ajapa has been classified as an asset held for sale and therefore not considered as an operating segment.

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

Details of group segments are reported below.

Q2 2009	Q1 2010	Q2 2010		YTD Q2 2010	2009*
USD 000 – (Unaudited)				*USD 000 – (Unaudited)*	
			OPERATING SEGMENTS - PRODUCTION FIGURES		
Group production BOE/day					
2,932	3,528	3,360	Manati - net of our interest	3,444	2,742
-	-	-	Coral - net of our interest	-	40
2,932	**3,528**	**3,360**	**Group total BOE/day**	**3,444**	**2,782**
Production					
			Natural gas production (MMBtu)		
1,527,780	1,812,006	1,739,814	Manati - net of our interest	3,551,820	2,842,319
-	-	-	Coral - net of our interest	-	-
			Oil production (BOE)		
-	-	-	Manati - net of our interest	-	-
-	-	-	Coral - net of our interest	-	7,228
Price per unit					
			Estimated gas price (USD/MMBtu before royalties and taxes)		
6.80	7.70	7.73	Manati	7.71	6.48
-	-	-	Coral	-	-
			Oil price (USD/Bbl - before royalties and taxes)		
-	-	-	Manati	-	-
-	-	-	Coral	-	41.23
			OPERATING SEGMENTS - (BRAZIL)		
			in USD 000		
			Manati and Brazil licences		
-	-	-	Sales - Oil	-	279
7,781	10,236	9,695	Sales - Gas	19,931	13,724
-	251	-	Other revenue	251	-
5,288	8,194	1,991	EBITDA	10,185	1,191
1,690	1,802	1,957	Depreciation	3,759	3,170
-	283,184	-	Segment assets	283,587	272,334
			Coral (Brazil)		
-	-	-	Sales - Oil	-	-
-	-	-	Sales - Gas	-	-
-	-	-	Other revenue	-	-
-	-	-	EBITDA	-	-
-	-	-	Depreciation	-	-
-	-	-	Segment assets	-	-

			OPERATING SEGMENTS - THE EXPLORATION AND EVALUATION ASSETS IN WEST AFRICA		
			in USD 000		
			Dussafu (Gabon)		
-	-	7,913	Segment assets acquired	7,913	-
			JDZ 3 (Nigeria)		
-	-	-	Segment assets acquired	-	-
			OML 113 - Aje (Nigeria)		
-	-	39,000	Segment assets acquired	39,000	-
			MKB (Congo)		
-	-	-	Segment assets acquired	20,583	-
Others					
-	(1,802)	(5,590)	EBITDA	(7,392)	-
-	9	9	Depreciation	18	-
-	-	46,846	Segment assets	46,846	-
-	-	-	Assets held-for-sale	30,000	-
			CONSOLIDATED		
			in USD 000		
-	**-**	**-**	Sales – Oil – Total	**-**	**279**
7,781	**10,236**	**9,695**	Sales – Gas – Total	**19,931**	**13,724**
-	**251**	**-**	Other revenue – Total	**251**	**-**
5,288	**6,401**	**(3,593)**	EBITDA – Total	**2,808**	**(1,979)**
1,690	**1,811**	**1,966**	Depreciation- Total	**3,777**	**3,170**
-	**283,184**	**-**	Segment assets – Total	**395,069**	**292,889**
-	**-**	**-**	Assets held-for-sale - Total	**30,000**	**-**

*The segment assets represent as of December 31, 2009 and the statement of comprehensive income items represent year to date results for June 30, 2009.

There are no differences in the nature of measurement methods used on segment level compared with the interim condensed consolidated financial statements.

There are no inter-segment adjustments and eliminations for the periods presented.

5. Income tax

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

Q2 2009	**Q1 2010**	**Q2 2010**		**YTD Q2 2010**	**YTD Q2 2009**
USD 000 – (Unaudited)				***USD 000 – (Unaudited)***	
			Income Taxes		
(1,886)	(605)	(336)	Current income tax expense	(941)	(1,097)
(13,511)	982	2,344	Deferred income tax expense	3,326	(6,864)
(15,174)	377	2,008	Total tax benefit / (charge) for the period	2,385	(7,961)

On de-merger from Norse Energy Corporation in June 2010, attributable tax loss of NOK 351 million equivalent to approximately USD 53 million was assigned to the Company. The loss will be available indefinitely to offset future taxable income of the Company.

6. Earnings per share

The group had no potential dilutive ordinary shares as of the periods reported in these interim condensed consolidated financial statements.

Q2 2009	Q1 2010 (Unaudited)	Q2 2010	*Amounts in USD 000, unless otherwise stated*	YTD Q2 2010 (Unaudited)	YTD Q2 2009
16,247	1,695	(5,502)	Net loss attributable to equity holders of the parent	(7,197)	16,261
32,518	66,879	67,909	Weighted average number of shares outstanding - in thousands	67,397	29,146
0.50	(0.03)	(0.08)	Basic and diluted earnings per share (USD)	(0.11)	0.56

The weighted number ordinary shares for all the periods presented above have been adjusted by the exchange ratio at the de-merger date between NEdB outstanding shares and the attributable share capital of the Company.

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 Group's warrants. As of December 31, 2009 and March 31, 2010, no warrants were outstanding for the Group. The 7.5 million warrants issued on June 15, 2010 were outstanding as of June 30, 2010.

The warrants are not considered to have a dilutive effect as they were out-of-the money compared to the average share price since listing of the Company on June 8, 2010 to the end of the quarter. Further, since the Group incurred a net loss for the current quarter and 1H 2010, the warrants have an anti-dilutive effect and therefore, not considered when calculating diluted earnings per share.

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

	Licence interest, Exploration and Evaluation Assets (Unaudited) USD 000	Production assets (Unaudited) USD 000
Net book value		
At 1 January 2010	126,300	111,300
Additions	927	-
Exploration costs expensed	-	-
Depreciation	-	(1,802)
Currency translation adjustments and other changes	(2,818)	(3,118)
At 31 March 2010	124,409	106,380
Additions	-	-
Acquisition of subsidiary (Note 3)	67,491	-
Exploration costs expensed	-	-
Depreciation	-	(1,957)
Currency translation adjustments and other changes	(1,525)	(1,567)
At 30 June 2010	190,375	102,856
At 31 December 2009	126,300	111,300

8. Cash and cash equivalents

	30 Jun 2010 *(Unaudited)* *USD 000*	30 Jun 2009 *(Unaudited)* *USD 000*
Cash at bank and in hand	56,347	5,868
Less: Restricted cash	(2,450)	(3,294)
Cash and cash equivalents at the end of the period	53,897	2,754

9. Exploration and related costs

Q2 2009	Q1 2010	Q2 2010		YTD Q2 2010	YTD Q2 2009
USD 000 – (Unaudited)				*USD 000 – (Unaudited)*	
			Exploration costs expensed		
-	-	-	Dry well costs	-	7,300
-	81	4,659	Other exploration costs expensed	4,740	55
	81	4,659	***Total exploration costs charged to statement of comprehensive income***	4,740	7,355
-	-	-	Exploration costs capitalised during the period	-	-
-	81	4,659	**Total exploration expenditure during the period**	4,740	7,355

10. Assets held for sale

During the period, a Group's subsidiary has entered into an agreement with Brittania-U Nigeria Limited sell its license interest of 40% in OML 90- Ajapa for a consideration of USD 30 million. The sale is subject to certain regulatory approvals which are not complete as of the date of the statement of financial position.

11. Non-controlling interests

The non-controlling interests represent 30% shareholding of NEdB controlled by Sector in the periods prior to the de-merger.

12. Financial liabilities

12.1 Interest bearing debt

	Note	30 Jun 2010 (Unaudited) USD 000 Short-term	30 Jun 2010 (Unaudited) USD 000 Long-term	31 Mar 2010 (Unaudited) USD 000 Short-term	31 Mar 2010 (Unaudited) USD 000 Long-term	31 Dec 2009 (Unaudited) USD 000 Short-term	31 Dec 2009 (Unaudited) USD 000 Long-term
Norway							
NOK denominated loans	12.2	6,615	36,132	-	-	-	-
Brazil							
USD denominated loans		-	-	20,658	-	21,138	-
BRL denominated loans	12.3	12,959	64,534	18,841	38,284	59,749	-
Cyprus							
USD denominated loans	12.4	10,243	-	-	-	-	-
Total		29,817	100,666	39,499	38,284	80,887	-

Summary of loans

	Note	Amount due (USD million)	Expiry
Norway			
NEC-01 bond	12.2	42.7	2 years
Brazil			
Treasury loan	12.3	33.2	5 years
BNDES I loan	12.3	24.3	7 years
BNDES II loan	12.3	20.1	9 years
Cyprus			
Sector Loan	12.4	10.2	1 month
Total		130.5	

12.2 Upon the de-merger from NEC, the Company assumed obligations as borrower for the NOK 286.5 million NEC01 bond loan under restructured terms. An aggregate principal amount of NOK 43 million plus accrued and unpaid interest thereon is payable in July 2010. A principal amount of NOK 122 million of the loan matures on July 13, 2011, together with any accrued and unpaid interest thereon; while the remaining loan shall mature and be due and payable on July 13, 2012, together with any accrued and unpaid interest thereon payable every quarter. The loan carries a fixed interest rate of 13.5% from July 13, 2010 onwards.

The bonds are listed on Oslo Stock Exchange (OSE) under the ticker "NEC01". The main covenants of the bond loan after de-merger are as follows:

- The parent Company must maintain at all times the book equity of USD 14 million after March 31, 2011.
- After March 31, 2011, the total equity in the Company shall constitute at least 30% of capital employed. "Capital employed" is defined as the Company's total equity plus interest bearing debt, including financial instruments that have the commercial effect of borrowing, including guarantees and leasing commitments.
- The Company shall not make or declare any distributions and procure that NEdB does not make or declare any distributions to any shareholders other than the Company until the Outstanding Intercompany amount due is zero.
- The Company shall not provide guarantees or other credit support to, or make investments in, any person or entity outside the Group, other than when backed by additional equity as prescribed in the loan agreement.

For the complete list of covenants the Company is subject to, please refer to investor section of Panoro Energy ASA's website on www.panoroenergy.com.

12.3 A debt restructuring agreement has become effective during the period for loans in Brazil. Under the renegotiated terms, the BNDES II disbursement has replaced the current bridge loan and the refinancing agreement with the local banks include a new treasury fund loan that has replaced the current loans in Coplex and NEdB as well as the project finance loans in Rio das Contas. All loans have been converted into Reais (BRL) and transferred to Rio das Contas, pledged against Manati cash flow and the shares in Rio das Contas. Under the restructured position, all of the three loan agreements reside in Rio das Contas. Coplex and NEdB have no local bank debt after this transaction. The BNDES I loan is continuing without changes and subject to interest of TJLP plus 6.8%. The BNDES II credit facility is divided into four tranches which have one year grace period, are then amortised over 96 months and carry an interest rate of TJLP plus a 5.8%.

The treasury fund loan has a one year grace period and is then amortised over 48 months and carry an interest of CDI (interbank rate as of June 30, 2010 at 10.1%) plus 7.5%. The treasury fund loan includes a cash sweep clause that any surplus cash in Rio das Contas will be used to amortise this loan. The cash sweep clause ceases after the treasury fund loan is repaid.

The main covenants for the Brazilian loans are as follows:

- Maintain an Equity Ratio above 30:70. (Total Equity over Third Party Funds (short term +long term liabilities).
- Maintain the Debt Service Coverage Ratio (DCSR) higher than 1.30. DSCR = (EBITDA - Income tax payment) / (Principal + Interest amortisation).
- Restriction of distributing any funds from the Rio das Contas to the shareholders until repayment of the loans.
- The cash currently generated in Brazilian operations all originate in Rio Das Contas. The loan agreement for the Brazil bank debt restricts the Brazil group from applying such cash flows to serve other financial debt in the group.

12.4 This loan was acquired under the business combination with Pan-Petroleum and is repayable with accrued interest and commitment fee to Sector Asset Management by August 1, 2010. The loan has an effective cost of 10% per annum. The represented an advance by Sector for the pre-IPO share subscription and was to be repaid out of the share issue proceeds.

13. Liability related to warrants

As part of the de-merger from NEC, 7.5 million warrants were issued by the Company on June 15, 2010. One warrant gives conversion right to one share in the Company during the exercise period which is valid up to July 1, 2011. The warrants are listed on OSE as "PEN-J" and are exerciseable at NOK 15.71.

14. Loan payable to Norse Energy Corporation ASA

This balance for December 31, 2009 and March 31, 2010 represented intercompany loan payable to the previous parent company Norse Energy Corporation ASA. Subsequent to the de-merger, the beneficial lender has been converted to Panoro Energy ASA and therefore eliminates on consolidation as of June 30, 2010. The loan carries a fixed interest rate of 10% per annum and was repayable by June 30, 2010 in the prior periods presented.

15. Share capital and premium

	Date	Number of shares *(Unaudited)*	Share Capital *(Unaudited)* *USD 000*
Shares issued during the period on account of:			
- De-merger from NEC	7 June 2010	46,815,456	11,437
- Merger with Pan AS	29 June 2010	86,942,990	19,935
Shares issued and subscribed for cash:			
- Capital increase (pre-merger)	7 June 2010	15,282,872	3,418
- Capital increase (post-merger)	29 June 2010	14,905,763	3,351
As at 30 June 2010		163,947,081	38,141

All issued shares have a par value of NOK 1.46 and are of equal rights. The Company is incorporated in Norway and the share capital is denominated in NOK. In the table above, the issued capital is translated to USD at the foreign exchange rate in effect at the time of each share issue.

The Group has issued 7.5 million warrants in connection with the de-merger from NEC. The warrants give the right to new ordinary shares at NOK 15.71 per share as detailed in note 13.

16. Related party transactions

The following table provides the total amount of balance and transactions which have been outstanding and entered into with related parties. Balances reported are as of June 30, 2010 and December 31, 2009. Transactions reported in this note have been entered into with related parties during the six months ended June 30, 2010 and June 30, 2009.

	Note	Year	Amounts owed by related parties *USD 000* (Unaudited)	Amounts owed to related parties *USD 000* (Unaudited)	Interest received / (paid) *USD 000* (Unaudited)	Management fee charged *USD 000* (Unaudited)
Shareholders						
Loan from Sector (including interest payable)	12.4	**2010**	**-**	**10,243**	**-**	**-**
		2009	-	-	-	-
Previous controlling entity (NEC)						
• Interest bearing sub-ordinated loan (including interest payable)	14	2009	-	57,946	-	-
• Management fee		**2010**	**-**	**-**	**-**	**346**
• Management fee		2009	-	-	-	270
Loans and advances to key management personnel of the group						
Interest bearing loan to Chief Executive Officer	16.1	**2010**	**1,110**	**-**	**17**	**-**
		2009	1,149	-	14	-

There were no sales and purchase between related parties during the reported periods which require disclosures.

16.1 The loan to Chief Executive Office was advanced as per his terms of employment with NEdB in 2008 and carries an interest of 3% per annum. The loan is repayable in full in 2013 and the monthly accumulated interest is paid through salary deductions.

16.2 With effect from July 2010, as part of the temporary relocation arrangement for the Company's Chief Executive to London, the Company has entered into a contract to lease a residential property up to July 2012. Commitments in respect of this contract are disclosed in note 17.

17. Contingencies and commitments

Contingencies

The Company's subsidiary entered into a Sale and Purchase Agreement on January 8, 2010 with Prevail Energy Holdings Limited to acquire licences and assets in Congo relating to MKB.

As part of the agreed transaction, the group will pay a contingent consideration in the form of Panoro shares conditioned upon certain success triggers being achieved by the Group in the MKB permit. These triggers are related to geological and operational events that will significantly increase the value of the licence if attained.

As per the agreement and subject to the occurrence of the triggers specified therein, a maximum of 4,362,791 shares may be issued to certain stakeholders of Prevail Energy Holdings Limited. An estimated fair value of the consideration payable has been determined at USD 3.3 million and has been recognised in the June 30, 2010 financial statements as a liability. This estimate has been determined using valuation techniques and reasonable probability assumptions as of the reporting date and may change in future should any new operational information become available to the Group.

Commitments

Commitments in respect of operating leases were due in the following periods as of June 30, 2010:

	Within 1 year	1 to 5 years	More than 5 years
	USD 000	*USD 000*	*USD 000*
	(Unaudited)	(Unaudited)	(Unaudited)
Office property lease rentals	934	3,140	592
CEO's residential property lease rentals	94	97	-
Total	1,028	3,237	592

18. Events after the reporting period

In the Extraordinary General Meeting of July 7, 2010, the shareholders approved the appointment of Ernst & Young as auditors of the Company.

In the same meeting, the shareholders approved the appointment of Dr. Phil Vingoe as Chairman on the board and accepted the resignation of Dag-Erik Rasmussen from the Board. Tord Pedersen and Christine Wheeler were appointed as new members of the Board of Directors.

In the Extraordinary General Meeting of August 13, 2010, the shareholders approved the following items:

- Remuneration to the Board of Directors for 2010 was fixed at NOK 550,000 per annum to the Chairman of the Board and NOK 350,000 per annum to each Board Member. In addition, NOK 50,000 per annum was approved for each director for participation in Directors' subcommittee meetings. It was also resolved that no remuneration be paid for the first four months of 2010.
- The Board of Directors were authorised to conduct share capital increases by way of share issue. A maximum of 16,394,708 were authorised for issue at a nominal value of NOK 1.46 each. This authorisation is valid to earlier of the ordinary general meeting of the Company or June 30, 2011.
- The Board was authorised to issue shares to Company's employees and leading personnel under Company share incentive program which is in the process of being formalised. A maximum of 10,656,560 shares at NOK 1.46 each of nominal value

were authorised to issue for this purpose at Board's discretion. This authorisation is valid to earlier of the ordinary general meeting of the Company or June 30, 2011.

- The board was authorised to issue consideration shares to Prevail Energy Holdings Ltd. under an agreement, a maximum of 4,362,924 shares at nominal value of NOK 1.46 each. This authorisation is valid to earlier of the ordinary general meeting of the Company or June 30, 2011.

On August 17, 2010, the Board of Directors approved a grant of 7,000,000 share options to the management and the employees under the Company's options programme. Vesting of these options will be over a three year period, with 1/3 of the options exercisable each year. The strike price of the options was set at NOK 6.0, which is to be increased by 8 percent after year two and additional 8 percent annually thereafter. The strike price for the options is based on the volume-weighted average share price from listing until August 17, 2010.

2,333,333 options have a vesting period until August 17, 2011 and can be exercised until August 17, 2012 at NOK 6.0 or until August 17, 2013 at NOK 6.48;

2,333,333 options have a vesting period until August 17, 2012 and can be exercised until August 17, 2013 at NOK 6.48 or until August 17, 2014 at NOK 7.0; and

2,333,333 options have a vesting period until August 17, 2013 and can be exercised until August 17, 2014 at NOK 7.0 or until Aug 17, 2015 at NOK 7.56.

Of the 7,000,000 options, 3,125,000 options have been allocated to key employees and the Chairman of the BOD. The remaining 3,875,000 options will be distributed to other employees of the Company under the same conditions. The remaining options under the authorisation have not yet been allocated or distributed.

Responsibility statement

We confirm to the best of our knowledge that the condensed set of interim consolidated financial statements as of June 30, 2010 has been prepared in accordance with IAS 34 Interim Financial Reporting and gives a true and fair view of the Company's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report in accordance with the Norwegian Securities Trading Act section 5-6 fourth paragraph includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, and any significant related parties transactions, and a description of the principal risks and uncertainties for the remaining six months of the year.

Dr. Phil Vingoe
Chairman

Tord Pedersen
Board member

Katherine H. Støvring
Board member

Christine M.K. Wheeler
Board member

Ragnar G. Søegaard
Board member

Kjetil Solbrække
Chief Executive Officer

Other information

Financial calendar

November 26, 2010	Third Quarter 2010 Results

Glossary and definitions

Bbl	One barrel of oil, equal to 42 US gallons or 159 liters
Bcf	Billion cubic feet
Bm^3	Billion cubic meter
BOE	Barrel of oil equivalent
Btu	British Thermal Units, the energy content needed to heat one pint of water by one degree Fahrenheit
IP	Initial production
Mcf	Thousand cubic feet
MMcf	Million cubic feet
MMBOE	Million barrels of oil equivalents
MMBtu	Million British thermal units
MMm^3	Million cubic meters
Tcf	Trillion cubic feet

Disclaimer

This presentation does not constitute an offer to buy or sell shares or other financial instruments of Panoro Energy ASA ("Company"). This presentation contains certain statements that are, or may be deemed to be, "forward-looking statements", which include all statements other than statements of historical fact. Forward-looking statements involve making certain assumptions based on the Company's experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. Although we believe that the expectations reflected in these forward-looking statements are reasonable, actual events or results may differ materially from those projected or implied in such forward-looking statements due to known or unknown risks, uncertainties and other factors. These risks and uncertainties include, among others, uncertainties in the exploration for and development and production of oil and gas, uncertainties inherent in estimating oil and gas reserves and projecting future rates of production, uncertainties as to the amount and timing of future capital expenditures, unpredictable changes in general economic conditions, volatility of oil and gas prices, competitive risks, regulatory changes and other risks and uncertainties discussed in the Company's periodic reports. Forward-looking statements are often identified by the words "believe", "budget", "potential", "expect", "anticipate", "intend", "plan" and other similar terms and phrases. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this presentation, and we undertake no obligation to update or revise any of this information

Contact information

For further information, please contact:

Anders Kapstad, CFO
Panoro Energy ASA
anders.kapstad@panoroenergy.com
Mobile: +47 918 17 442

Jonas Gamre, Investor Relations
Panoro Energy ASA
jonas.gamre@panoroenergy.com
Mobile: +47 971 18 292

Panoro Energy ASA
P.O. Box 1885 Vika, 0124 Oslo
Visiting address: Dr. Maudsgt. 1-3
0250 Oslo, Norway
Phone: +47 23 01 10 00
Fax: +47 23 01 10 19
www.panoroenergy.com

Panoro Energy c/o Pan-Petroleum Ltd
43-45 Portman Square
London W1H 6LY
United Kingdom

Panoro Energy c/o N.E do Brasil
Praia de Botafogo, 228, Sala 801
Botafogo – Rio de Janeiro
Brazil 22250-040

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