

Panoro Energy

ANNUAL STATEMENT OF RESERVES
APRIL 2011

DISCLAIMER

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

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

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

RESERVES AND CONTINGENT RESOURCES

Panoro Energy was formed through the merger of Norse Energy's former Brazilian business and Pan-Petroleum on June 29, 2010. In this report, when reference is made to status as of 31.12.2009, the Norse Energy do Brasil and Pan-Petroleum values apply. At year-end 2009, Norse had three, Pan-Petroleum one asset categorized as reserves (Ajapa – divested during 2010).

Panoro's classification of reserves and resources complies with the guidelines established by the Oslo Stock Exchange and are based on the definitions set by the Petroleum Resources Management System (PRMS-2007), sponsored by the Society of Petroleum Engineers/World Petroleum Council/ American Association of Petroleum Geologists/ Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) as issued in March 2007.

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

- in production
- under development
- with development committed

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

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

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

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

Contingent Resources are the volume of hydrocarbons that is expected produced from known accumulations:

- in planning phase
- where development is likely

- where development is unlikely with present basic assumptions
- under evaluation

In this report only best (2C) or 50% probability estimates are quoted.

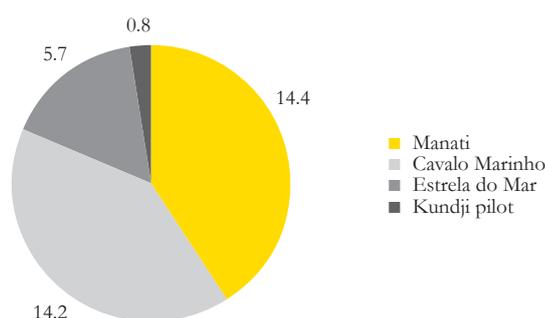
Panoro Energy's reserve report per end 2010 is summarized in the table below:

Asset	1P reserves MMBOE	2P reserves MMBOE	3P reserves MMBOE
Manati	12.1	14.4	16.5
Cavalo Marinho	5.7	14.2	20.3
Estrela do Mar	0.0	5.7	6.8
Kundji pilot	0.6	0.8	1.1
Total	18.4	35.1	44.7

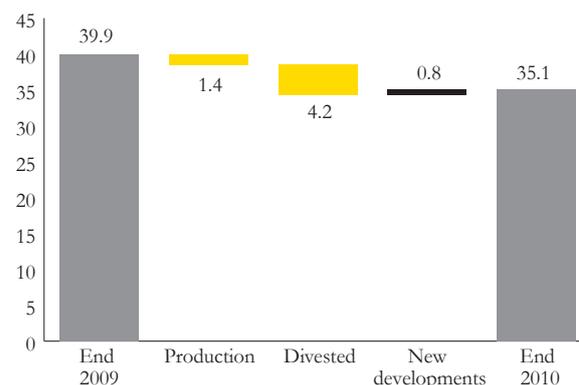
By year-end 2010, Panoro is producing reserves from two assets, one in Brazil and one in Congo. Further assets classified as reserves are assets with development plans committed. Panoro has four fields classified with reserves and seven with contingent resources. A summary description of each asset with status as of year-end 2010 is included below. In addition, we refer to the Company website www.panoroenergy.com for background information on each asset Unless otherwise specified, all numbers quoted below are net to Panoro's interest.

2P Reserves Development	(MMBOE)
Balance (previous ASR) as of December 31, 2009	39.9
Production 2010	-1.4
Acquisitions/disposals since previous ASR	-4.2
Extensions and discoveries since previous ASR	0.0
New developments since previous ASR	0.8
Revisions of previous estimates	0.0
Balance (current ASR) as of December 31, 2010	35.1

2010 2P RESERVES (MMBOE)



2010 2P RESERVE DEVELOPMENT (MMBOE)



MANATI: GAS FIELD OFFSHORE BRASIL, OPERATOR PETROBRAS, PANORO 10%

Manati is Panoro's main field under production. The original development plan called for seven producing wells, but based on initial production experience and reservoir understanding, the operator concluded that six wells could potentially suffice to drain the reservoirs. The consortium consequently has decided to postpone the decision to drill the seventh well.

Compared to last year, Gaffney Cline & Associates («GCA») has certified 1P reserves of 12.1 MMBOE, up from 11.5 last year, while 2P reserves decreased from 15.8 to 14.4 MMBOE, reflecting 1.445 MMBOE produced volumes during 2010 (gas + condensate).

Certified 3P volumes of 16.5 MMBOE and assumes a 7th well draining the northern extension of the field.

The certified 1P volume has increased as an extension to the gas sales contract has now been agreed securing off take of all Manati gas. Consequently, GCA has removed the restriction previously applied to 1P reserves. This restriction reflected the original contract which quoted a maximum sales volume that the present understanding of the field demonstrate will be exceeded.

5.2 MMBOE of the 12.1 MMBOE 1P reserves will require installation of compression equipment and as such is sub-classified as proven, not developed. Compression is currently assumed operational from 2014.

MKB: ONSHORE CONGO, OPERATOR SNPC (CONGO NATIONAL OIL COMPANY), PANORO 20%

MKB is the term used to name a 700km² license area onshore Congo holding three defined accumulations: Mengo, Kundji and Bindi. The accumulations were discovered and produced over a 10 year period by Elf Aquitaine back in the 1980's, but were abandoned in 1993. According to the operator the MKB fields may hold above 2.3 billion bbls (100%) oil in place. Panoro Energy's own estimates are 1-1.5 billion barrels, but MKB in any case represents a potentially significant asset for the Company. Initial redevelopment efforts have been focused on Kundji where test production from two new Kundji wells drilled in 2009 has been conducted since August 2010. Results confirm commerciality of a re-development using modern drilling and completion techniques.

Plans for a continued, step-wise development program have been firmed up starting with a Kundji pilot project with six additional wells to be drilled and completed in the same area as the two 2009 wells.

Gaffney Cline & Associates has been engaged to review the plans for Kundji and has in this connection confirmed Panoro Energy's best estimate of the Kundji STOOIP of 233 MMBBL (100%).

GCA was not able to include test production data from the two

2009 wells for the end 2010 review, but has based their work on data from the initial Elf wells, particularly the KUN-1 well, which was drilled in the Kundji pilot project area and saw production decline over an extended period (10 years).

For the end 2010 review, GCA has certified reserves associated with the 8 well program in the Kundji pilot project area to be 1P reserves of 0.56 MMBBL, 2P reserves of 0.8 MMBBL and 3P reserves of 1.12 MMBBL net to Panoro. Note that associated gas is assumed flared at this stage and is not included in the current reserve estimates.

For the 2P reserves case this reflects an average of 0.5 MMBBL total recovery per well (100%) based on the Elf data. With the promising test results seen so far, we expect this number to be improved as effects of the well stimulation techniques employed are confirmed and allowed reflected in future reserve estimates. Best estimate Contingent Resources for the entire MKB license is 64 MMBBL to Panoro's share according to a 2009 study by TRACS. This number reflects a case where all three fields are developed and assumes water injection and as such represents an upside target at this stage. Future work will result in updates going forward as new information is made available and activities are expanded beyond the Kundji field.

BS-3: OFFSHORE BRAZIL, OPERATOR PETROBRAS, PANORO 35-65%

The BS-3 area offshore in the southern part of the Santos Basin, holds two Panoro assets classified with reserves: the Cavalo Marinho and Estrela do Mar oil fields, where new development plans were filed with the Brazilian Petroleum Agency («ANP»), in January 2011.

Generally, in all the BS3 fields, hydrocarbons are discovered in up to four separate, vertically stacked carbonate reservoir zones, where commercial production so far has been associated with the lower three. The top zone (referred to B1), holds significant hydrocarbon volumes in place but has low permeability and has not been commercial with traditional technology. The filed development plans include provisions for a B1 pilot project by drilling a dedicated horizontal well to test this zone in Estrela do Mar. Previous long term tests have indicated this area to contain the best B1 production properties seen so far in the area. Development of all fields in this area depends on a common gas export solution to shore. This is being planned by Petrobras to be a gas pipeline originating in the Tiro/Sidon fields (100% Petrobras) to the east of the BS3 fields, allowing tie-in of gas from all participating fields. In addition to the Panoro assets these include the 100% Petrobras BS3 fields Caravela and Tubarao where development plans were also filed in January 2011.

Cavalo Marinho field (CvM), Panoro 50%

In the January 2011 Cavalo Marinho development plan, an FPSO is shared with nearby Caravela field (100% Petrobras), providing necessary utilities, processing facilities and gas export.

Based on the operator's work, Gaffney Cline & Associates has certified volumes as follows: – 1P reserves 5.7 MMBOE and 2P reserves of 14.2 MMBOE. P1 reserves are restricted since one of the Hydrocarbon bearing sub-zones (B2) was not flow tested in the CvM discovery well (due to well mechanical problems).

Panoro's internal work on CvM was done with the Norwegian petroleum engineering consultancy AGR. This work shows higher oil in place and involves a proposed development scenario with more production wells and higher resources. An additional 5.3 MMBOE compared with the operator's estimate is carried as – 2C – best estimate Contingent Resources.

At this stage, resources in the low permeability B1 zone of CvM are regarded as prospective. Reclassification is pending results of the B1 Estrela do Mar pilot.

Estrela do Mar field (EdM), Panoro 65%

The filed development plan for EdM reflects a stand-alone development solution including a separate, horizontal well to test the low permeability B1 zone.

Based on previous work done by the operator, Gaffney Cline & Associates has certified EdM 2P reserves of 5.7 MMBOE, but no 1P volumes. This excludes gas volumes (assumed flared at the time of the certification review) and no B1 contribution.

For the proven reservoirs on Estrela do Mar, Panoro's internal work with AGR indicates an upside compared to the operator's work. A best estimate – 2C – of 7.8 MMBOE (including gas) in addition to the operator's 2P reserves estimate is carried as contingent resources.

For the low permeability B1 zone, Panoro's internal reservoir simulation work with AGR indicates a best – 2C – estimate of 33.9 MMBOE for a case where the decided test well is successful and the reservoir is depleted by drilling additional 6 horizontal wells and as such represents an upside target at this stage.

Although a development plan was filed in January 2011, the partners recognize that further work is necessary before also the EdM development concept is finally settled. This may include more reservoir engineering studies, technical optimization studies (to possibly tie back EdM to other developments in the area), as well as commercial arrangements around shared facilities.

Caravela-Sul field (CvS), Panoro 50%

This small field is located within the Cavalo Marinho ring fence just north of CvM, approximately underneath the location of the proposed FPSO for the Cavalo Marinho-Caravela Integrated project.

Future development may be considered and the operator has performed work indicating a possible upside potential, but an eventual development decision has been postponed.

CvS volumes are presently included as contingent resources only related to the lower B4 zone, with a best estimate – 2C – of 0.4 MMBOE.

Coral field (CRL), Panoro 35%

The Coral field was developed with three sub-sea producing wells and produced in the period 2003 – late 2008, flaring the associated gas. A pilot water injection scheme was tested successfully during the last 6 months before abandonment.

Both the operator and Panoro have conducted studies to identify the potential of further Coral recoveries and a future return to the field is expected. The partners have decided to retain the license. Coral volumes are included as contingent resources, with a best estimate – 2C – of 4.2 MMBOE.

AJE: OFFSHORE NIGERIA, OPERATOR YINKA FOLAWIYO PETROLEUM (YFP), PANORO 12.1913%

The Aje discovery, close to the border with Benin, is predominantly a gas discovery with significant condensate but also contains a separate oil leg.

Various development concepts have been evaluated, but progress towards a development decision has been slow, mainly because of delays in securing a commercially viable gas sales contract through the West Africa Gas Pipeline. A small scale oil only development is also being studied, and the results of this are expected to be concluded in 2011.

Aje volumes, as reported by Chevron (technical assistant to the operator) are included as contingent resources, with a best estimate – 2C – of 20.7 MMBOE to Panoro's share.

CAMARÃO NORTE: OFFSHORE BRAZIL, OPERATOR PETROBRAS, PANORO 10%

Camarão Norte is a discovery in the old BCAM 40 (Manati) block which straddles the border to the neighboring block to the south (BM-CAL-4, 100 % owned and operated by a third party). Camarão Norte was declared commercial in July 2009. Five wells have been drilled on the structure (four in block BM-CAL-4), proving the presence of both oil and gas.

A unitization process is underway and volumes are included as contingent resources, best estimate – 2C – of 0.9 MMBOE. This includes both oil and gas volumes considered inside the BCAM 40 ring fence in a 50-50 unitized development scenario.

DUSSAFU: OFFSHORE GABON, OPERATOR HARVEST NATURAL RESOURCES, PANORO 33%

The Dussafu license offshore Gabon has so far seen two small sub commercial discoveries – named Moubenga and Walt Whitman – with a combined, best case – 2C – estimate of 1.9 MMBBL to Panoro's interest.

A new exploration well is planned for the 1st half of 2011 in the same general area as these two discoveries.

MANAGEMENT DISCUSSION AND ANALYSIS

Panoro uses the services of Gaffney, Cline & Associates (GCA) for 3rd party verifications of its reserves. For the reported reserves in Brazil, GCA has based their assessments on work done by the operator (Petrobras). For the MKB project in Congo, in-house work done by Panoro staff and consultants form the basis for the reported reserves certified by GCA.

All evaluations are based on standard industry practice and methodology as production decline analysis, reservoir modeling and geological and geophysical analysis.

Panoro's policy is to update the Annual Statement of Reserves (ASR) whenever there are significant changes occurring or new information becomes available that materially influences the reported results.

Compared to previously reported numbers the consequences for the year-end 2010 ASR are summarized per asset as follows:

- **Manati;** previous reserves numbers have been updated and recertified by GCA early 2011 to reflect 2010 production and an amended gas sales contract ensuring off take of all Manati gas at a known price.
- **MKB;** early 2011, GCA has certified reserves associated to a defined Kundji pilot program (8 wells) covering part of the Kundji area.
- **BS-3;** for the 2010 ASR report, Panoro has chosen to carry forward last year's certified volumes since the development plans filed in January 2011 are based on the operator's previously reported volumes, certified by GCA in 2009.
 - The development concepts described reflect stand alone developments for both Estrela do Mar and Cavalo Marinho/ Caravela with gas off take shared with the nearby Tiro and Sidon fields. Further optimization of technical solutions and area integration will continue in 2011 in parallel to commercial negotiations firming up development schedules and cost sharing principles.
 - A new 3rd party certification will be performed and reported when this work is completed. This is expected for 2nd half of 2011, when also revisions of the respective development plans will be filed as necessary.

During 2010, Panoro has disposed of its Ajapa asset (2P of 4.2 MMBOE) in Nigeria and have decided to relinquish its Sardinha asset offshore Brazil as this partnership has failed to materialize commercial plans for this asset.

Panoro's total 1P-reserves at end of 2010 amount to 18.4 MMBOE. This reflects sale of the Ajapa asset in Nigeria, inclusion of the Kundji pilot, effects of the amended Manati gas sales contract and adjusting for 2010 production.

Panoro's 2P-reserves after similar adjustments and 2010 production is 35.1 MMBOE.

Panoro's Contingent Resource base includes

- Discoveries of varying degree of maturity towards development decisions
- Upside potential identified through Panoro's own work on existing licenses, specifically on the BS-3 fields where our interpretations, compared to the operator, have identified additional volume

By end of 2010, Panoro's assets represent a total 2C volume of 139.1 MMBOE. This also reflects that the Sardinha license has been relinquished in 2010.



Kjetil Solbrække
CEO

ANNEX RESERVES STATEMENT AS OF 31.12.2010

ANNUAL STATEMENT OF RESERVES

Developed Assets										
As of Dec. 31, 2010	1P/P90					2P/P50				
Panoro Energy	Liquids MMbbl	Gas Bcm	Total MMBOE	Interest%	Net MMBOE	Liquids MMbbl	Gas Bcm	Total MMBOE	Interest%	Net MMBOE
Manati field	1.5	18.974	120.8	10 %	12.1	1.69	22.6	143.8	10 %	14.4
Total	1.5	18.974	120.8	-	12.1	1.7	22.6	143.8	-	14.4

Under Development Assets										
As of Dec. 31, 2010	1P/P90					2P/P50				
Panoro Energy	Liquids MMbbl	Gas Bcm	Total MMBOE	Interest%	Net MMBOE	Liquids MMbbl	Gas Bcm	Total MMBOE	Interest%	Net MMBOE
Kundji pilot	2.8	-	2.8	20 %	0.6	4.0	-	4.0	20 %	0.8
Total	2.8	0	2.8	-	0.6	4.0	0	4.0	-	0.8

Non-Development Assets										
As of Dec. 31, 2010	1P/P90					2P/P50				
Panoro Energy	Liquids MMbbl	Gas Bcm	Total MMBOE	Interest%	Net MMBOE	Liquids MMbbl	Gas Bcm	Total MMBOE	Interest%	Net MMBOE
Estrela do Mar	0	0	0	65%	0	8.7	0	8.7	65%	5.7
Cavalo Marinho	8.8	0.4	11.3	50%	5.7	20.8	1.2	28.3	50%	14.2
Total	8.8	0.4	11.3	-	5.7	29.5	1.2	37	-	19.9
Total assets	13.1	19.374	134.9	-	18.4	32.1	27.4	204.3	-	35.1

COMPANY ADDRESSES

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

Panoro Energy Ltd

43-45 Portman Square

London W1H 6LY

United Kingdom

Tel: +44 (0) 20 3405 1060

Fax: +44 (0) 20 3004 1130

Panoro Energy do Brasil Ltda

Praia de Botafogo, 228, Sala 801

Botafogo – Rio de Janeiro

Brazil

22250-906

Phone: +5521 3078-7475

Fax: +5521 3078-7451