

Panoro Energy

ANNUAL STATEMENT OF RESERVES
APRIL 2012

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'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 are expected to be 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 volumes of hydrocarbons that are expected to be produced from known accumulations:

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

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

Panoro Energy's reserve report per end 2011 is summarized in the table below:

Asset	1P reserves MMBOE	2P reserves MMBOE	3P reserves MMBOE
Manati	11.1	13.4	15.5
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
Panoro total	17.4	34.1	43.7

2P development since last ASR

Balance (previous ASR) as of December 31, 2010	35.1
Production 2011	(1.0)
Revisions of previous estimates	0.0
Balance (current ASR) as of December 31, 2011	34.1

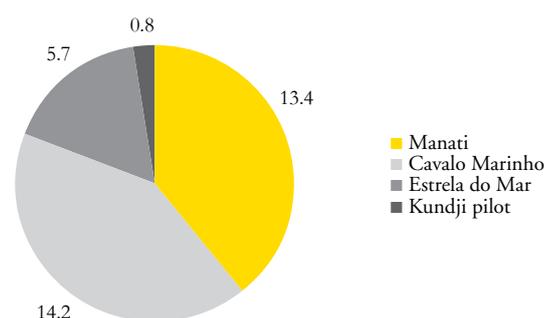
As of year-end 2011, Panoro was producing from two assets, one in Brazil and one in Congo. Further assets classified as reserves are assets with development plans committed.

Panoro has four assets classified with reserves and nine with contingent resources.

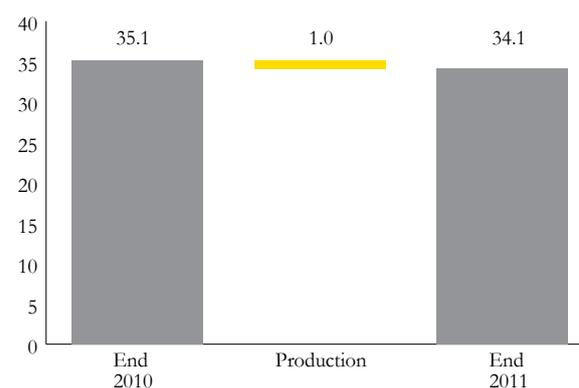
A summary description of each asset with status as of year-end 2011 is included below. In addition we refer to the Company website www.panoroenergy.com for background information on each asset.

Unless otherwise specified, all numbers quoted below are net to Panoro's interest.

2011 2P RESERVES (MMBOE)



2011 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 decided to postpone the decision to drill the seventh well.

2011 production performance has been restricted following the late 2010 determination that extensive repairs were required on the riser systems on the Manati manifold platform. Inspections revealed that corrosion was approaching unacceptable levels, which triggered a program to replace damaged sections.

As a consequence, some of the wells were periodically shut in for extended periods. During the year, a total of 0.958 MMBOE was produced from the field, as compared to 1.445 MMBOE in 2010.

The operator has not presented any sub-surface technical studies during 2011, which would conflict with previous studies, and consequently, the 2011 year-end reserve statement is based on the 2010 reserves statement from Gaffney Cline & Associates (GCA), with adjustments for produced volumes:

1P reserves are 11.1 MMBOE, which is a reduction from 12.1 last year, while 2P reserves decreased from 14.4 to 13.4 MMBOE, reflecting 0.958 MMBOE produced volumes during 2011 (gas + condensate).

3P volumes of 15.5 MMBOE assumes a 7th well draining the northern extension of the field.

5.2 MMBOE of the 11.1 MMBOE 1P reserves require installation of compression equipment and as such is sub-classified as proven, not developed. Compression is planned to be operational beginning in early 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. Initial re-development efforts have been focused on Kundji where test production from two new Kundji wells drilled in 2009 has been conducted since August 2010. Plans for a step-wise development program have been started with a Kundji pilot project with up to six wells to be drilled and completed in the same accumulation as the two 2009 wells. By year end 2011, three of these wells were drilled, all confirming the resource potential, and extending the known oil accumulation.

With well completion and stimulation activities ongoing into 2012 and limited test production from the two original wells, no new certification exercise has been commissioned with Gaffney Cline & Associates (GCA).

For the year end 2011 reserve statements, 2010 reserve numbers are carried forward. These were based on GCA's best estimate of the Kundji STOOIP of 233 MMBBL (100%).

GCA last year 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 to be flared, and is not included in the current reserve estimates.

The 2P reserves case reflects an average of 0.5 MMBBL total recovery per well (100%), based on the historic Elf production data. Based on the evaluation of the observed well test results, it is fully expected that the predicted volumes will be realized.

Best estimate contingent resources for the entire MKB license is 64 MMBBL, net to Panoro's share according to a 2009 study by TRACS. These volumes reflect a case where all three fields are developed and water injection is used to increase the recovery factor and thus represent an upside target.

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. For these fields new development plans were filed with the Brazilian Petroleum Agency (ANP), in January and July 2011.

Generally, all of the BS3 fields contain hydrocarbons in up to four separate, vertically stacked carbonate reservoir zones (B1-B4), where commercial production so far has been associated with the lower three. The uppermost zone, referred to as B1, holds significant hydrocarbon volumes in place but has low permeability and has not been considered 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 that Estrela do Mar has the best B1 production properties of the Panoro BS-3 assets.

Development of all fields in this area depends on a common gas export solution. This is being planned by Petrobras to be a gas pipeline, which will serve as a gas export route for BS-3 and other accumulations in the South Santos area. 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) 50% to Panoro

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 (GCA) 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 technical studies of CvM were performed by the Norwegian petroleum engineering consultancy AGR. These technical studies show greater oil in place and are based on a proposed development scenario with more production wells and greater volumes. Based on this work 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. Eventual reclassification is pending results of the B1 Estrela do Mar pilot.

Estrela do Mar field (EdM) 65% to Panoro

In the July 2011 EdM development plan, a stand-alone development solution with a dedicated FPSO is assumed, including a separate, horizontal well to test the low permeability B1 zone.

Based on previous technical studies performed by the operator, Gaffney Cline & Associates ("GCA") 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 technical studies with AGR indicate 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 studies, performed by AGR, indicate a best 2C estimate of 33.9 MMBOE for a case where the pilot test well is successful and the reservoir is subsequently depleted by drilling 6 additional horizontal wells. This case represents an upside target for B1 development.

The EdM partners recognize that further technical studies are necessary before the EdM development concept is resolved. This may include additional reservoir engineering studies, technical optimization studies (to possibly inter-connect EdM to other developments in the area), as well as commercial arrangements related to the shared facilities.

Caravela-Sul field (CVS) 50% to Panoro

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 technical studies, which indicate possible upside potential, however the development decision for CVS 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) 35% to Panoro

The Coral field was developed with three sub-sea producing wells, which produced during the period 2003 through late 2008, while flaring the associated gas.

A pilot water injection scheme was tested successfully during the last 6 months of production, prior to abandonment.

Both the operator and Panoro have conducted technical studies to identify the potential for further Coral oil recovery and a future redevelopment of the field is expected, and therefore, the partners have decided to retain the license.

CRL 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, adjacent to the Benin border, 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, primarily because of delays in securing a commercially viable gas sales contract through the West Africa Gas Pipeline. 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 extending into the BCAM 40 (Manati) block. It straddles the border with 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 with a 50-50 resource estimate scenario between the blocks.

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

An exploration well was drilled in 2011, which resulted in the "Ruche" discovery. In addition, two sidetracks were accomplished to delineate this discovery. Ruche volumes, as reported by Harvest Natural Resources (operator), are included as contingent resources, with a best estimate 2C of 3.7 MMBOE to Panoro's share, bringing the total Dussafu resource base to 5.6 MMBOE (net), including the previous Dussafu discoveries: Moubenga and Walt Whitman.

Studies to evaluate possible Dussafu development options are ongoing and further exploration drilling is being considered.

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 technical studies performed by the operator (Petrobras).

For the MKB project in Congo, in-house technical work performed 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, including production decline analysis and reservoir modeling based on 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 reserve reports the consequences for the year-end 2011 ASR are summarized per asset as follows:

- Manati; previous reserves volumes have been updated to reflect 2011 production.
- MKB; previously reported reserve volumes are maintained, reflecting the GCA 2011 certification associated to a defined Kundji pilot program (8 wells), covering part of the Kundji area.
- BS-3; previously reported reserve volumes are maintained, since the development plans filed in 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 fields. Further optimization of technical solutions and area integration will continue in parallel to commercial negotiations, firming up development schedules and cost sharing principles.
- A new 3rd party certification will be performed and reported when these technical studies are completed.

ASSET ACQUISITIONS/DISPOSALS DURING 2011

No deals have been concluded in 2011 that effect the reserves position.

ASSUMPTIONS

The end-2011 reported volumes have been economic limit tested based on an end-2011 market forward price with the following forward oil price projections in USD/bbl:

	End 2011	End 2010
2012	105,6	93,3
2013	101,4	92,8
2014	97,2	92,6
2015	94,3	92,9
2016	92,4	93,4

Converting barrels to oil-equivalents is performed using a conversion factor of 6.29 bbl/m³ and 1,000 m³ gas equaling one m³ oil.

Panoro's total 1P reserves at end of 2011 amount to 17.4 MMBOE. This reflects adjusting for 2011 production. Panoro's 2P- reserves after similar adjustment is 34.1 MMBOE.

Panoro's contingent resource base includes

- Discoveries of varying degree of maturity awaiting development decisions.
- Upside potential identified through Panoro's own technical studies on existing licenses, specifically on the BS-3 fields, where our interpretations, as compared to those of the operator, have identified additional volumes.

By end of 2011, including the Ruche discovery in Gabon, Panoro's assets sum up to a total 2C volume of 142.8 MMBOE.

Oslo, April 2012



Kjetil Solbrække
CEO

ANNEX RESERVES STATEMENT AS OF 31.12.2011

ANNUAL STATEMENT OF RESERVES

Developed Assets										
As of Dec. 31, 2011	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	1.35	17.474	111.3	10%	11.1	1.5	21.1	134.3	10%	13.4
Total	1.35	17.474	111.3	-	11.1	1.5	21.1	134.3	-	13.4

Under Development Assets										
As of Dec. 31, 2011	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	0.0	2.8	20%	0.6	4.0	0.0	4.0	20%	0.8
Total	2.8	0.0	2.8	-	0.6	4.0	0.0	4.0	-	0.8

Non-Development Assets										
As of Dec. 31, 2011	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	0.0	0.0	65%	0.0	8.7	0.0	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	37.0	-	19.9

Totals										
Total assets	12.95	17.874	125.4	-	17.4	35.0	22.3	175.3	-	34.1

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