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Panoro Energy ASA

(Registration number: 994 051 067)

Prospectus in connection with

Listing of 54,105,292 Placement Shares resolved issued in the Private Placement and up to 6,500,000 Offer Shares to be issued in connection with the Subsequent Offering

Subsequent Offering of up to 6,500,000 Offer Shares, each with a nominal value of NOK 1.460471768, at subscription price of NOK 7.80 per Offer Share, with Subscription Rights for Eligible Subscribers (as defined herein)

Subscription Period for the Subsequent Offering:

From and including 7 March 2011 to 17:30 (CET) on 21 March 2011

Important notice:

Subscription Rights not used to subscribe for Offer Shares before the end of the Subscription Period will lapse without compensation to the holder, and consequently be of no value. To ensure that the Subscription Rights received do not become void and without value, the holder must exercise its Subscription Rights prior to the end of the Subscription Period.

Joint Lead Managers

Pareto Securities AS

Carnegie

4 March 2011

Important information

This Prospectus has been prepared in order to provide information about Panoro Energy ASA ("**Panoro Energy**" or the "**Company**") and its business in connection with the listing (the "**Listing**") on Oslo Børs of 54,105,292 Shares in the Company (the "**Listing Shares**", and together with the 16,394,708 Shares resolved issued by the Company's Board of Directors on February 3, 2011 in connection with the Private Placement (as defined below), the "**Placement Shares**") issued in the private placement conducted on 3 February 2011 and resolved by the general meeting on 1 March 2011 (**"Private Placement"**) and subsequent repair offering (the "**Subsequent Offering**") and listing of up to 6,500,000 new shares in the Company (the "**Offer Shares**"), with subscription rights (the "**Subscription Rights**") issuable to (i) shareholders as of 3 February 2011, and (ii) holders of the Company's Warrants listed on Oslo Børs with the ticker symbol "PEN J" (the "**Warrants**") as of 7 February 2011, except for those Shareholders and Warrant holders who (a) were allocated Placement Shares in the Private Placement, or (b) are restricted from participating due to laws and regulations in their home country jurisdiction (collectively the "**Eligible Subscribers**") as described herein.

For the definitions of terms used throughout this Prospectus, see Section 17 "Definitions and Glossary".

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The Company has furnished the information in this Prospectus. The Managers make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, nor shall be relied upon as, a promise or representation by the Managers. This Prospectus has been prepared to comply with the Norwegian Securities Trading Act and the Norwegian Regulation on Contents of Prospectuses, which implements the Prospectus Directive (EC/2003/71), including the Commission Regulation EC/809/2004, in Norwegian law. The Financial Supervisory Authority has reviewed and approved this Prospectus in accordance with the Norwegian Securities Trading Act section 7-7. This Prospectus has been published in an English version only.

All inquiries relating to this Prospectus should be directed to the Company or the Managers. No other person has been authorised to give any information about, or make any representation on behalf of, the Company in connection with the Subsequent Offering and Listing, and, if given or made, such other information or representation must not be relied upon as having been authorised by the Company or the Managers.

The information contained herein is as of the date hereof and subject to change, completion or amendment without notice. There may have been changes affecting the Company or its subsidiaries subsequent to the date of this Prospectus. Any new material information and any material inaccuracy that might have an effect on the assessment of the Placement or Offer Shares arising after the publication of this Prospectus and before the Listing will be published as a supplement to this Prospectus in accordance with section 7-15 of the Norwegian Securities Trading Act.

The contents of this Prospectus shall not be construed as legal, business or tax advice. Each reader of this Prospectus should consult its own legal, business or tax advisor as to legal, business or tax advice. If in any doubt about the contents of this Prospectus, readers should consult their stockbroker, bank managers, lawyer, accountant or other professional adviser.

In the ordinary course of their respective businesses, the Managers and certain of its affiliates have engaged, and may continue to engage, in investment and commercial banking transactions with the Company and its subsidiaries.

Without limiting the manner in which the Company may choose to make any public announcements, and subject to the Company's obligations under applicable law, announcements relating to the matters described in this Prospectus will be considered to have been made once they have been received by Oslo Børs and distributed through its information system.

Unless otherwise indicated or the context otherwise requires, all references in this Prospectus to "Panoro Energy" or the "Company" are to Panoro Energy ASA and its consolidated subsidiaries.

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Investing in the Company's Shares involves risks. See Section 2 "Risk Factors" of this Prospectus.

The distribution of this Prospectus may be restricted by law in certain jurisdictions. This Prospectus may not be used for the purpose of, and does not constitute, an offer to sell or issue, or a solicitation of an offer to buy or subscribe for, any securities in any jurisdictions in any circumstances in which such offer or solicitation is not lawful or authorized. The Company and the Managers require persons in possession of this Prospectus inform themselves about and to observe such restrictions.

The Subscription Rights and the Offer Shares are being offered only in those jurisdictions in which, and only to those person to whom, offers and sales of the Offer Shares (pursuant to the exercise of Subscription Rights or otherwise) may lawfully be made. The Subscription Rights and the Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or under the securities laws of any state or other jurisdiction of the United

States and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities law of any state or other jurisdiction of the United States.

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1. SUMMARY

The following summary should be read as an introduction to the Prospectus and in conjunction with, and is qualified in its entirety, by the more detailed information and the Appendices appearing elsewhere in this Prospectus. Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole by the investor.

In case a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff Investor might, under the national legislation, have to bear the cost of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

1.1 DESCRIPTION OF THE COMPANY

1.1.1 Introduction

Panoro's legal and commercial name is Panoro Energy ASA. The Company was incorporated on 28 April 2009 under the name Startup 387 09 AS and was later renamed to New Brazil Holding ASA. In connection with the Merger and the listing of the Company's Shares on Oslo Børs, the Company was renamed to Panoro Energy ASA on 1 June 2010. The Company is a Norwegian Public Limited Company organised under Norwegian law, including the Norwegian Public Companies' Act. Panoro's registered organization number is 994 051 067.

Panoro Energy's registered office and headquarters is at Dr. Maudsgate 1-3, 0124 Oslo, Norway. The Company's telephone number is + 47 23 01 10 00.

1.1.2 History and development

In 2005, the two companies Northern Oil ASA and NaturGass (USA) AS merged and changed its name to Norse Energy Corp. ASA ("Norse Energy"). On 13 July 2005 Norse Energy was listed on the Oslo Stock Exchange under the ticker symbol "NEC".

In a general meeting in Norse Energy on 28 January 2010 it was resolved that Norse Energy should be divided into two parts, where ownership of Norse Energy's mainland business (i.e., the business in the US and its associated assets) was to be retained by Norse Energy while the ownership of the business in Brazil through Norse Energy do Brasil S.A. and its associated assets were to be transferred to Panoro Energy (the "Demerger").

The Demerger and the separation of the two business areas of Norse Energy and the separate listing of Panoro Energy was assumed to optimise the capital structure and provide considerable growth potential in the respective markets. The Demerger was completed on 7 June 2010 and Panoro Energy was assumed for listing on Oslo Børs on 8 June 2010. Through the Demerger Panoro Energy acquired, among other things, 70% of the shares in NEdB.

At an extraordinary general meeting of the Company on 26 April 2010, a merger between the Company and Pan-Petroleum Holding AS ("Pan Holding") was approved (the "Merger"). The objective of the Merger was to create a significant E&P company with organizations and assets that are complementary and which jointly should enable superior performance. The Merger was completed on 29 June 2010 with Pan Holding as the assigning entity and Panoro Energy as the acquiring entity. Through the Merger, Panoro Energy acquired 100% of the shares in Pan Group and the 30% of the shares in NEdB not already owned by the Company (the "Transaction").

1.1.3 Research and development, patents and licenses

In order to operate in Brazil and West Africa, the Company is dependent on certain exploration and production licenses. The Company currently holds interests in the following licenses:

Licence	Country	Interest
BCAM-40/Manati (including Camarão Norte)	Brazil	10%
Cavalo Marinho	Brazil	50%
Estrela-do-Mar	Brazil	65%
Coral	Brazil	35%
S-M 1035	Brazil	15% (pending ANP approval)[1]
S-M 1036	Brazil	15% (pending ANP approval)[1]
S-M 1100	Brazil	15% (pending ANP approval)[1]
Dussafu Marin (Gabon)	Gabon	33.33%
OML 113 Aje Field (Nigeria)	Nigeria	12.1913% revenue interest 6.502% participating interest
Mengo-Kunji-Bundi (MKB license)	Republic of Congo	20%

The Company has not incurred any material expenses on research and development.

1.2 PURPOSE AND BACKGROUND FOR THE OFFERINGS

The Company decided to conduct the Private Placement and the Subsequent Offering in order to strengthen its financial position. The net proceeds resulting from the share capital increase will be used to strengthen the Company's balance sheet in order to progress development projects in Brazil and Congo and further develop the underlying values in the portfolio.

Updated development plans for the Cavalo Marinho and Estrela do Mar fields were filed to the Brazilian National Petroleum Agency (“ANP”) on January 13, 2011. This was an important milestone on the way to a final investment decision and ultimately production from the BS-3 fields.

For the MKB project in Congo, the partnership are planning to drill a further six wells as part of the pilot program during 2011 and put in place a production facility. This is the first step in moving the project towards a full scale development.

The share issue significantly improves the Company’s ability to progress these projects.

1.2.1 The Private Placement

On 3 February 2011, the Company completed a book building process in order to place 70,500,000 Placement Shares. All of the Placement Shares were allocated through the Private Placement which was directed towards existing Shareholders, Norwegian investors and international institutional investors.

The Private Placement consisted of 70,500,000 new Shares, of which 54,105,292 Shares were conditional upon the approval by the general meeting.

[1] Panoro currently holds 50% ownership, after recent announced farm-out agreement, ownership is reduced to 15%, subject to ANP approval. For further information, please refer to Section 10.5.1

The Board of Directors resolved on 3 February 2011 to increase the share capital as described in section 5.2.1 based on an authorisation to increase the share capital granted to the Board of Directors by the Company's annual general meeting on 12 August 2010.

The share capital increases in connection with the Private Placement were registered in the Norwegian Register of Business Enterprises in part on 11 February and the remaining Placement Shares (the Listing Shares) are expected registered on or about 7 March 2011.

The gross proceeds from the Private Placement were approximately NOK 550 million and the price was set at NOK 7.80 per Share.

1.2.2 The Subsequent Offering

The Subsequent Offering comprises an offering of up to 6,500,000 Offer Shares, to be issued in accordance with the regulations set forth in the Norwegian Public Limited Liability Companies Act. The Subsequent Offering was resolved by the annual general meeting on 1 March 2011.

The Shareholders as of 3 February 2011 and the holders of the Company's warrants per 7 February 2011 who did not receive Shares in connection with the Private Placement will be given the opportunity to subscribe for Shares at the same price as in the Private Placement in order to limit dilution from the Private Placement.

1.2.3 Dilution

Panoro had 163,947,081 Shares outstanding prior to the Private Placement. Assuming full subscription in the Subsequent Offering, a total of 77,000,000 new Shares will be issued in the Offerings. The dilutive effect in connection with the Private Placement and the Subsequent Offering will be approximately 32.0 per cent, assuming full subscription of the Subsequent Offering. For further information, please refer to Section 5.7 "Dilution".

1.3 CONDITIONS AND TIME TABLE FOR THE SUBSEQUENT OFFERING

Below is a brief overview of the terms and time table for the Subsequent Offering:

Offer Shares	Up to 6,500,000 new Shares
Subscription Price	NOK 7.80 per Offer Share equalling the price in the Private Placement
Record Date	3 February 2011
Subscription Period	From and including 7 March to and including 1730 hours (CET) on 21 March
Eligible Shareholders	Shareholders as of 3 February 2011 (appearing in the VPS on 8 February 2011) and the holders of the Company's warrants per 7 February 2011 who did not receive Shares in the Private Placement
Subscription Rights	The Company will issue non-tradable Subscription Rights. The Eligible Shareholders will receive 1 Subscription Right per 26.376474 Shares owned as of the Record Date. One Subscription Right will grant the right to subscribe for one (1) Share
Allocation date	On or about 22 March 2011
Payment date	On or about 25 March 2011
Distribution of allocated Offer Shares	On or about 29 March 2011
Listing of the Offer Shares	On or about 29 March 2011

Orders for Offer Shares must be made on a Subscription Form attached as Appendix 2 hereto. The Subscription Form must be received by the Joint Lead Managers by 1730 hours (CET) on 21 March 2011. The Board and the Joint Lead Managers may at their sole discretion refuse any improperly completed, delivered or executed Subscription Form or any subscription which may be unlawful. A subscription is irrevocable and may not be withdrawn, cancelled or modified once it has been received by one of the Joint Lead Managers. Allotment of the Offer Shares is expected to take place on or about 22 March 2011.

The following allocation criteria will be used in the Subsequent Offering:

i) Offer Shares shall be allocated on the basis of used Subscription Rights;

ii) In the event that not all Subscription Rights are used and the Subsequent Offering is over-subscribed, holders of Subscription Rights who have subscribed for more Offer Shares than the held Subscription Rights, shall have preferential rights to allocation of unsubscribed Offer Shares in accordance with the principles of Section 10-4 (3) of the Norwegian Public Companies Act; and

iii) To the extent the Subsequent Offering is not fully subscribed after applying the criteria (i) and (ii) above, Offer Shares shall be allocated at the discretion of the Board of Directors to subscribers not holding Subscription Rights that have subscribed for Offer Shares in the Subsequent Offering.

The allocation of Offer Shares will take place after the expiry of the Subscription Period on or about 22 March 2011 and notifications of allocation will be dispatched by post from the VPS on or about 23 March 2011. The Board reserves the right to round off, regulate or in another way reject or reduce any subscription not covered by Subscription Rights (ref. item (i) above).

The Company will disclose information with regard to the number of Shares subscribed for in the Subsequent Offering on or about 22 March 2011 through the information system of Oslo Børs at www.newsweb.no under the ticker PEN.

Each Subscriber must provide a one-time authorisation to debit a specified bank account with a Norwegian bank for the amount (in NOK) payable for the Offer Shares allotted to such Subscriber by signing the Subscription Form when subscribing for Offer Shares. The amount will be debited on or about 25 March 2011. Subscribers not having a Norwegian bank account and Subscribers subscribing for Shares for more than NOK 5,000,000 must ensure that payment for their Offer Shares with cleared funds is made on or before 1400 hours (CET) on 24 March 2011 and should contact one of the Joint Lead Managers in this respect.

1.4 THE LISTING AND ADMISSION TO TRADING

Following the publication of this Prospectus, 54,105,292 Shares issued in connection with the Private Placement that are not already listed, will be listed and begin trading on Oslo Børs following publishing of this Prospectus.

The Offer Shares to be issued to Subscribers in the Subsequent Offering will be listed on Oslo Børs upon registration of the share capital increase in connection with the Subsequent Offering in the Norwegian Register of Business Enterprises. The Company expects that the Offer Shares will be listed on Oslo Børs on or about 29 March 2011. However, delays may occur due to delayed payment from one or more Subscribers.

1.5 EXPENSES IN CONNECTION WITH THE OFFERINGS

Costs attributable to the Listing will be borne by the Company. The total costs are expected to amount up to approximately NOK 24.5 million, which include cost related to fees to the Managers, Oslo Børs, printing and distribution of this Prospectus, costs to legal advisors and the Company's auditor.

1.6 SUMMARY OF RISK FACTORS

A number of risk factors may adversely affect the Company. The risks outlined in Section 2 are not exhaustive, and other risks not discussed herein may also adversely affect the Company. Prospective investors should consider carefully the information contained in this Prospectus and make an independent evaluation before making an investment decision. The risk factors the Company and its Shares are subject to are inter alia; competition, availability of drilling equipment and access restrictions, the Company's oil and natural gas production, new reserves, technical risk, estimates for abandonment costs, permits and licenses, governmental regulations, title to properties, commodity price volatility, environmental risks, key personnel, liquidity risk, credit risk, exchange risk, interest rate risk and commodity price risk.

1.7 DIRECTORS, MANAGEMENT AND EMPLOYEES

Board of directors
The Company's Board of Directors consists of the following members: Dr Phil Vingoe (Chairman), Katherine Hatlen Støvring, Ragnar Thor Grundtvig Søegaard, Tord Pedersen and Christine M.K. Wheeler.

Management
The executive management of the Company currently consists of the following members: Kjetil Solbrække (CEO), Anders Kapstad (CFO), Nishant Dighe (COO) and Thor Tangen (EVP Field Development).

Employees
As of the date of this Prospectus, the Company's operations involve about 36 people.

1.8 ADVISORS AND AUDITORS

1.8.1 Managers

The Private Placement was managed by Carnegie and Pareto Securities as Joint Lead Managers.

The Joint Lead Managers for the Subsequent Offering are Carnegie and Pareto Securities.

Pareto Securities AS	**Carnegie ASA**
Dronning Mauds gate 3	Stranden 1
P.O. Box 1411 Vika	P.O. Box 684 Sentrum
NO-0115 Oslo, Norway	NO-0106 Oslo, Norway
Fax: +47 22 87 87 15	Fax: +47 22 00 99 60
Tel: +47 22 87 87 00	Tel: +47 22 00 93 20
www.pareto.no	www.carnegie.no

1.8.2 Legal advisor

Advokatfirmaet Selmer DA has acted as the Company's legal counsel in connection with the Private Placement, and the Subsequent Offering.

1.8.3 Independent auditor

The Company's independent auditor is Ernst & Young AS. For further information, please refer to Section 6.6 in this Prospectus.

1.9 SUMMARY OF OPERATING AND FINANCIAL INFORMATION

The legal entity Panoro Energy ASA (established 28 April 2009) was acquired by Norse Energy in December 2009. The legal entity had no operations or activity in 2009. As a result, the comparatives to the interim financial statements represent the historical carved out balances and transactions of the Brazilian subsidiary Norse Energy do Brazil, in line with the guidelines given by IFRS and the accounting principles that are disclosed in note 2 of the second quarter 2010 interim financial statements as incorporated by reference in this Prospectus (see section 16.2). The audited financial statements of Panoro Energy ASA are incorporated by reference in this Prospectus.

The legal entity Panoro Energy ASA (established 28 April 2009) was acquired by Norse Energy in December 2009. The legal entity had no operations or activity in 2009.

The table below is a summary of the Statement of Financial Position of Panoro Energy ASA as of 31 December 2009:

Statement of Financial Position; Panoro Energy ASA	**(USD 000)**
Assets	31.12.2009
Current assets	
Cash and cash equivalents	173
Total assets	173
Equity and liabilities	
Equity	173
Total equity and liabilities	173

The table below is a summary of the Statement of Financial Position of the Company as of 31 December 2010:

Consolidated Statement of Comprehensive Income (USD 000)

Q4 2009	Q4 2010	*Amounts in USD 000*	2010	2009
Unaudited			**Unaudited**	
11,088	12,438	Oil and Gas revenue	44,103	34,650
-	-	Other income	251	-
11,088	**12,438**	**Total revenues and other income**	**44,354**	**34,650**
(1,197)	(1,822)	Production costs	(5,160)	(4,002)
5	25	Exploration related costs	(4,811)	(14,162)
(1,976)	(4,742)	General and administrative costs	(13,006)	(7,293)
-	(561)	Merger and restructuring costs	(6,217)	-
7,920	**5,338**	**EBITDA**	**15,160**	**9,193**
(1,721)	(2,390)	Depreciation	(8,491)	(6,423)
(1,179)	(1,685)	Impairment	(1,685)	(13,679)
-	(459)	Share based payments	(565)	-
5,020	**804**	**EBIT - Operating income / (loss)**	**4,419**	**(10,909)**
-	-	Gain on acquisition of subsidiary	2,329	-
(5,389)	(11,064)	Net finance income/(costs)	(24,845)	(13,347)
(4,051)	(31)	Net foreign exchange gain/(loss)	(1,160)	33,075
-	(706)	Movement in fair value of warrants liability	(1,154)	-
(4,420)	**(10,997)**	**Income / (loss) before tax**	**(20,411)**	**8,819**
(708)	5,740	Income tax benefit/(expense)	5,254	(4,719)
(5,128)	**(5,257)**	**Net income / (loss) for the period**	**(15,157)**	**4,100**
(6,502)	1,230	Exchange differences arising from translation of foreign operations	8,357	20,620
(6,502)	**1,230**	**Other comprehensive income / (loss) for the period (net of tax)**	**8,357**	**20,620**
(11,630)	**(4,027)**	**Total comprehensive income / (loss) for the period**	**(6,800)**	**24,720**
		Net income / (loss) for the period attributable to:		
(3,406)	(5,257)	Equity holders of the parent	(13,784)	7,932
(1,722)	-	Non-controlling interests	(1,373)	(3,832)
		Total comprehensive income / (loss) for the period attributable to:		
(9,691)	(4,027)	Equity holders of the parent	(4,413)	26,158
(1,939)	-	Non-controlling interests	(2,387)	(1,438)
		Earnings per share		
(0.05)	(0.03)	(USD) – **Basic and diluted** for income/(loss) for the period attributable to equity holders of the parent	(0.14)	0.12

Condensed consolidated Statements of Financial Position (USD 000)

Amounts in USD 000	Dec 31, 2010 (Unaudited)	Dec 31, 2009 restated
Non-current assets		
Licenses and exploration assets	190,814	123,295
Production assets and equipment	109,663	110,756
Property, furniture, fixtures and office equipment	1,329	2,743
Deferred tax assets	31,682	24,090
Other non-current assets	1,803	1,791
Total Non-current assets	**335,291**	**262,675**
Current assets		
Trade and other receivables	22,738	14,864
Cash and bank balances	61,713	13,105
Total current assets	**84,451**	**27,969**
Total Assets	**419,742**	**290,644**
Equity		
Share capital	38,141	77,933
Other equity	184,133	(10,636)
Total Equity attributable to equity holders of the parent	**222,274**	**67,297**
Non-controlling interest	-	30,084
Total Equity	**222,274**	**97,381**
Non-current liabilities		
Long-term interest bearing debt	136,365	-
Deferred tax liabilities	8,535	-
Other long-term liabilities	20,943	20,928
Total Non-current liabilities	**165,843**	**20,928**
Current liabilities		
Short-term interest bearing debt	1,614	80,809
Liabilities related to warrants	1,199	-
Loan payable to Norse Energy Corporation ASA	-	57,699
Accounts payable, accruals and other liabilities	28,812	33,827
Total current liabilities	**31,625**	**172,335**
Total Liabilities	**197,468**	**193,263**
Total Equity and Liabilities	**419,742**	**290,644**

Consolidated Cash flow Statements (USD 000)

Amounts in USD 000	Dec 31, 2010 (Unaudited)	Dec 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the period before tax	(16,272)	4,100
Adjusted for:		
Depreciation	8,491	8,195
Market adjustments for warrant effects	1,154	-
Non-cash dry-hole and exploration related costs	4,811	7,300
Impairment	1,685	12,500
Gain on sale of property	(251)	-
Net finance costs	24,845	15,188
Share based payments	565	-
Gain on acquisition of subsidiary	(2,329)	-
Other adjustments -including working capital	(42,115)	(58,082)
Net cash flows from operating activities	**(19,416)**	**(10,799)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Exploration, production and other assets	(8,711)	(16,107)
Proceeds from sale of property and assets held for sakle	31,421	-
Net cash acquired at acquisitions	4,304	-
Net cash flows from investing activities	**27,014**	**(16,107)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuance of shares	54,851	30,000
Net interests paid	(23,692)	(5,883)
Financial liabilities raised / (repaid)	10,427	22
Net cash flows from financing activities	**41,586**	**24,139**
Foreign exchange differences	430	4,593
Change in cash and cash equivalents during the period	49,614	1,826
Cash and cash equivalents at the beginning of the period	10,655	7,597
Cash and cash equivalents at the end of the period	**60,269**	**9,423**
Restricted cash	1,444	3,682
Cash and bank balances at the end of the period	**61,713**	**13,105**

Consolidated changes in equity (USD 000)

For year ended December 31, 2010 ***Amounts in USD 000 (Unaudited)***	**Attributable to equity holders**	**Non-controlling interest**	**Total equity**
At January 1, 2010 (unaudited) - restated	67,297	30,084	97,381
Income / (loss) for the period	(13,784)	(1,373)	(15,157)
Other comprehensive income	9,371	(1,014)	8,357
Total Comprehensive income	(4,413)	(2,387)	(6,800)
Share based payments	565	-	565
Re-organisation of share capital on de-merger	(77,933)	-	(77,933)
Issue of shares	236,758	(27,697)	209,061
At December 31, 2010 (unaudited)	222,274	-	222,274

For year ended December 31, 2009 ***Amounts in USD 000 (Unaudited)***	**Attributable to equity holders**	**Non-controlling interest**	**Total equity**
At January 1, 2009 (unaudited) - restated	4,069	-	4,069
Income / (loss) for the period	7,932	(3,832)	4,100
Other comprehensive income	18,226	2,394	20,620
Total Comprehensive income	26,158	(1,438)	24,720
Issue of shares and dilution of controlling interest	37,070	31,522	68,592
At December 31, 2009 (unaudited) - restated	67,297	30,084	97,381

For information regarding historical consolidated financial information regarding Brazil Group and Pan Group, please refer to Sections 6.2 and 6.3 of this Prospectus, respectively.

Trend information and significant changes to Panoro Energy's financial or trading position since 31 December 2010

Panoro Energy and its partners are currently discussing an amendment to the existing gas contract at Manati to include all additional gas volumes in the field, beyond the 23 million cubic meters currently under the contract.

On January 24, 2011 the Company's reached agreement with Vanco Brasil Exploração e Produção de Petróleo e Gas Natural Ltda, a wholly owned Subsidiary of Vanco Overseas Energy Ltd ("Vanco") to farm out 35% of Panoro's 50% interest in its three shallow water exploration licenses SM-1035, SM-1036 and SM-1100 in the Santos Basin offshore Brazil. After this transaction, Panoro will retain 15% interest in these blocks. Under the same terms, Brasoil have also farmed out their 50% interest down to 15% to Vanco.

Vanco will assume Operatorship and hold a 70% working interest in the three licenses. Upon ANP approval, the Company will receive net proceeds of approximately USD 15 million, covering the Company's historical costs on the licenses. Vanco will finance Panoro's share of drilling costs for three exploration wells, one on each license. Furthermore, Vanco will be entitled to recover the financed portion of successful wells and half the financed portion of unsuccessful wells from the Company's share of future production from discoveries made on the licenses.

The transaction includes an option for the Company to increase working interest in the licenses to 20%, prior to commencement of drilling the first exploration well. In that event, the Company will have to fund 5% of the past costs, work program costs and future drilling costs of the wells.

In February 2011, the Company raised gross NOK 550 million (~USD 95 million) in new equity in a private placement, directed at Norwegian and international institutional investors. The share issue was oversubscribed at the top end of the range and the price in the book-building was set at NOK 7.80 per share. 70,500,000 shares will be issued following the private placement. The completion of the private placement is partially conditional upon the approval by an Extraordinary General Meeting in Panoro Energy.

The Board of Directors proposed to the Extraordinary General Meeting a subsequent offering of 6.5 million shares at a subscription price of NOK 7.80 per share (total proceeds up to NOK 50 million) directed towards Panoro shareholders as of February 3, 2011 (as recorded in VPS on February 8, 2011) and the holders of the Company's warrants per 7 February who were not allocated shares in the private placement, which was approved at the Extraordinary General Meeting.

The Company is not aware of any other major trends, or events that have impacted or will impact the business.

1.10 SUMMARY OF CAPITALISATION AND INDEBTEDNESS

The following table shows the actual capitalisation and indebtedness as per 31 December 2010 (USD 000) of Panoro Energy. The numbers for the Company for 2010 are unaudited and have been derived from the unaudited condensed interim consolidated financial statements. The compilation of the capitalization and indebtedness table as such is unaudited.

Amounts in USD 000	Panoro Group 31.12.2010 (unaudited)	Adjust-ments (unaudited)		Adjusted Panoro Group 31.12.2010 (unaudited)
Total capitalization				
A. Share capital	38,141	16,401	(1.10.2)	54,542
B. Legal reserve	0	0		0
C. Other reserves	184,133	78,599		262,732
D. Total equity (A+B+C)	222,274	95,000		317,274
E. Long-term debt guaranteed	0	0		0
F. Long-term debt secured	136,365	0		136,365
G. Long-term debt (unguaranteed/unsecured)	0	0		0
H. Total long-term debt (E+F+G)	136,365	0		136,365
I. Current debt guaranteed	0	0		0
J. Current debt secured	1,614	0		1,614
K. Current debt (unguaranteed/unsecured)	0	0		0
L. Total current debt (I+J+K)	1,614	0		1,614
N.Total capitalization (D+H+L)	360,253	95,000		455,253
Net indebtedness				
A. Cash	61,713	95,000	(1.10.2)	156,713
B. Cash equivalent	0	0		0
C. Trading securities	0	0		0
D. Liquidity (A+ B+C)	61,713	95,000		156,713
E. Current financial receivable	0	15,000	(1.10.1)	15,000
F. Current bank debt	0	0		0
G. Current portion of non current debt	1,614	0		1,614
H. Other current financial debt	0	0		0
I. Current financial debt (F+G+H)	1,614	0		1,614
J. Net current financial indebtedness(I-E-D)	-60,099	-110,000		-170,099
K. Non current bank loans	0	0		0
L. Bond issued	136,365	0		136,365
M. Other non current loans	0	0		0
N. Non current financial indebtedness (K+L+M)	136,365	0		136,365
O. Net financial indebtedness (J+N)	76,266	-110,000		-33,734

Material changes in capitalization and indebtedness since 31 December 2010
Since 31 December 2010 and up to the date of this Prospectus, the following significant changes in capitalization and indebtedness have occurred which have been reflected adjustments in the above table.

1.10.1 Farm down on Round 9 licenses

On 24 January 2011, Panoro reached an agreement to farm out 35% of the Company's 50% interest in its three shallow water exploration licenses SM-1035, SM-1036 and SM-1100 in the Santos Basin offshore Brazil to Vanco Overseas Energy Ltd ("Vanco"). After this transaction, Panoro Energy will, through its Brazilian subsidiary, retain a 15% working interest in the licenses. Upon

ANP approval, the Company will receive net proceeds of approximately USD 15 million, covering the Company's historical costs on the licenses. Vanco will finance the Company's share of drilling costs for three exploration wells, one on each license. Furthermore, Vanco will be entitled to recover the financed portion of successful wells and half the financed portion of unsuccessful wells from Panoro's share of future production from discoveries made on the licenses. However, since the funds have not been received to the date of this prospectus and subject to ANP approval of the transfer of interest in the name of Vanco, the amount has been included as a financial receivable in the table above.

1.10.2 Successful completion of NOK 550 million equity issue

On 4 February 2011 the Company announced a successful private placement of 75,000,000 shares directed towards existing shareholders, Norwegian and international institutional and private investors after the close of Oslo Børs on 3 February 2011. The placement was done at a share price of NOK 7.80 per share, and the share capital increase represents approximately 43.0 per cent of existing outstanding shares. The gross proceeds from the private placement are approximately NOK 550 million. The completion of the private placement was partially conditional upon the approval by the general meeting.

1.11 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

1.11.1 Major shareholders

The five largest shareholders in Panoro as appearing in the company's share register per 28 February 2011 are shown in the table below:

	Investor	Shares	%	Type
1	BNY MELLOM INTERNATIONAL BANK LTD	52 258 149	28.98%	Comp.
2	BNY MELLOM INTERNATIONAL BANK LTD	38 453 423	21.23%	Comp.
3	BANK OF AMERICA MERRILL LYNCH	6 123 260	3.40%	Nom.
4	BNY MELLOM INTERNATIONAL BANK LTD	4 780 604	2.65%	Comp.
5	BNY MELLOM INTERNATIONAL BANK LTD	4 780 604	2.65%	Comp.
6	VARMA-SAMPO MUTUAL PENSION	4 218 746	2.34%	Comp.
7	DWPBANK AG	2 237 177	1.24%	Nom.
8	PRINCE STREET OPPORTUNITIES LIMITE	1 805 579	1.00%	Comp.
9	BNY MELLOM INTERNATIONAL LTD	1 594 792	0.88%	Comp.
10	GOLDMAN SACHS & CO – EQUITY	1 588 769	0.88%	Nom.
11	VINGOE PHILIP ARTHUR	1 339 669	0.74%	Priv.
12	DNB NOR SMB VPF	1 278 830	0.71%	Comp.
13	GOLDMAN SACHS INT. – EQUITY	1 277 083	0.71%	Comp.
14	DIGHE NISHANT SURENDRA	1 259 669	0.70%	Priv.
15	JPMORGAN CHASE BANK	1 067 398	0.59%	Nom.
16	PRINCE STREET INTL LTD	1 028 207	0.57%	Comp.
17	BNP PARIBAS SECS SERVICES PARIS	1 025 486	0.57%	Nom.
18	MP PENSJON PK	881 733	0.49%	Comp.
19	UBS AG, LONDON BRANCH	878 151	0.49%	Nom.
20	CREDIT SUISSE SECURITIES	872 177	0.48%	Nom.

The major shareholders of Panoro are defined as shareholders holding more than 5% of the share capital in the company. Panoro's largest shareholder are sub-funds of Sector Umbrella Trust, a trust established under the laws of Ireland, acting through and managed by Sector Omega ASA pursuant to an investment management agreement between Sector Asset Management Ltd, as

Managers of Sector Umbrella Trust, and Sector Omega ASA (hereinafter referred to as "Sector"). Following the approval of this Prospectus, Sector aggregate holding of listed shares will be 108,090,832 shares equalling 46.1% of the issued shares in Panoro.

In accordance with the disclosure obligations under the Norwegian Securities Trading Act, shareholders acquiring ownership to or control over 5% or more of the share capital of a company listed on Oslo Børs must notify the stock exchange immediately. The table above shows the percentage held by such notifiable shareholders.

1.11.2 Related party transactions since 2007

The Company or, prior to completion of the Demerger, Norse Energy with respect to the business acquired by the Company in the Demerger, has completed transactions with related parties in the period from 2007 and up until the date of this Prospectus, as summarised below. The agreements pertaining to these transactions are all entered into on market terms and in accordance with provisions in the Norwegian Public Limited Companies Act.

2009: The sale of 30% of the shares in NEdB to Sector at a purchase price of USD 30,000,000. The purchase price was settled in accordance with the agreement and accordingly there are no amounts outstanding with respect to the transaction.

2010: The Merger between the Company and Pan Holding, the latter being owned by Sector with approximately 99% prior to completion of the Merger.

1.12 ADDITIONAL INFORMATION

1.12.1 Share capital and shareholder matters

All the Shares are issued in accordance with Norwegian law, and vested with equal shareholder rights in all respects. There is one class of Shares in Panoro. Panoro's Articles of Association do not contain any provisions imposing any limitations on the ownership or the tradability of the Shares.

The Shares have been created under the Norwegian Public Limited Liability Companies Act and registered in book-entry form in the VPS under the international securities identification number ISIN NO 001 0564701.

As of the date of this Prospectus, Panoro's registered share capital is NOK 342,403,342.90, divided into 234,447,081 Shares each with a nominal value of NOK 1.460471768. All the Shares are authorised and fully paid.

As of the date of this Prospectus, Panoro does not own any treasury shares.

The registrar for the Shares with the VPS is Nordea Bank Norge ASA, Verdipapirservice, P.O. Box 1166 - Sentrum, NO-0107 Oslo, Norway.

1.12.2 Articles of Association

The Articles of Association of Panoro are included as Appendix 1 to this Prospectus. According to Section 1 of the Articles of Association, the Company's business shall be exploration, production, transportation and marketing of oil and natural gas and exploration and/or development of other energy forms, sale of energy as well as other related activities. The business might also involve participation in other similar activities through contribution of equity, loans and/or guarantees.

1.12.3 Documents on display

For the life of this Prospectus the following documents (or copies thereof), where applicable, may be inspected at the offices of the Company:

- The Memorandum of Incorporation and Articles of Association of Panoro
- All reports, letters, and other documents, historical financial information, valuations, and statements prepared by any expert at the Company's request any part of which is included or referred to in the Prospectus
- The audited financial accounts of the Company for the last two financial years
- Historical financial information for Panoro's subsidiaries for the last two financial years
- This Prospectus

1.12.4 Third party statements

The Company confirms that when information in this Prospectus has been sourced from a third party it has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

2. RISK FACTORS

2.1 MARKET RISKS

2.1.1 The Company experiences strong competition

The oil and natural gas industry is capital intensive and the Company operates in an environment in which many other companies have greater financial and technical resources than the Company. These other companies include major integrated oil and natural gas producers and numerous other independent oil and natural gas companies and individual producers and operators.

The Company's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to complete transactions in a highly competitive environment.

2.1.2 Risks associated with emerging and developing markets generally

Investors in emerging markets, such as Nigeria, Republic of Congo, Brazil and Gabon, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, fiscal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved in an investment in the Company and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult their own legal and financial advisers before making an investment.

2.1.3 The countries in which Panoro Energy operates face political, economic, fiscal, legal, regulatory and social uncertainties, which could have a material adverse effect on the Company's business, financial condition and results of operations

The Company's operations are exposed to the political, economic, fiscal, legal, regulatory and social environment of the countries in which it operates, including Nigeria, offshore Nigeria, Republic of Congo, Brazil and Gabon. The Company's business involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not overcome. These risks include, but are not limited to, corruption, civil strife or labour unrest, armed conflict, terrorism, limitations or price controls on oil exports and limitations or the imposition of tariffs or duties on imports of certain goods. The operations of the Company in certain developing countries expose it to potential civil unrest and political or currency risks.

2.1.4 The countries in which Panoro Energy operates suffer from crime and governmental or business corruption which could have an adverse effect on the Company's business, financial condition and results of operations

The Company operates and conducts business in countries or regions of West Africa and South America which experience high levels of criminal activity and governmental and business corruption. Oil and gas companies operating in West Africa may be particular targets of criminal or terrorist actions. Criminal, corrupt or terrorist actions against the Company, or its properties or facilities, could have a material adverse effect on the Company's business, results of operations or financial condition. In addition, the fear of criminal or terrorist actions against the Company could have an adverse effect on the ability of the Company to adequately staff and/or manage its operations or could substantively increase the costs of doing so.

2.1.5 Underdeveloped infrastructure in the countries in which Panoro Energy operates could have an adverse effect on the Company's business, financial condition and results of operations

Underdeveloped infrastructure and inadequate management of such infrastructure has led to regular electricity outages and water cuts in many states, in particular in West Africa. Inadequate and unreliable electricity supply has hindered investment in such countries, resulting in underperformance in various important sectors. The unstable pricing, and possible scarcity, of fuel for power generation also increases the operational challenges businesses face, adding to the potential fluctuation of overheads. In addition the lack of infrastructure can cause projects to be delayed and costs increased as physical works are carried out and infrastructure is built.

2.1.6 Uncertainties in the interpretation and application of laws and regulations in the jurisdictions in which the Company operates may affect the Company's ability to comply with such laws and regulations, which may increase the risks with respect to the Company's operations

The courts in the jurisdictions in which the Company operates may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established economies. Businesses may become involved in lengthy court cases over simple issues when rulings are not clearly defined, and the poor drafting of laws and excessive delays in the legal process for resolving issues or disputes inherent with such problems.

2.2 OPERATIONAL RISKS

2.2.1 The Company's oil and natural gas production could vary significantly from the reports from independent reserve engineer firms

The Group partly bases its investment plans on reserve reports, prepared by the independent reserve engineering firm Gaffney Cline & Associates. Such reports are also obtained at least annually to establish the expected production profiles for the fields in production, and the expected economic lifetime of the fields. Any reduction in reserves might lead to a write down of field investments due to impairment tests and increases in future depreciations. Regarding the reserve report, reference is made to section 16.2 "Incorporated by Reference" in this Prospectus.

2.2.2 The Company may not be able to discover new reserves

Failure to develop its fields as planned may lead to a decline in the Company's reserves.

The Company intends to continue to explore for further reserves in its licence areas and seeks to add new reserves to its reserve base. However, the Company cannot assure investors that its exploration programs will be successful. Except to the extent the Company completes successful exploration and development projects or acquires properties containing proven reserves, or both, the Company's reserves will decline as its natural gas and liquid hydrocarbons are produced and its reserves are depleted. The Company's future production is highly dependent upon the Company's ability to develop its existing reserve base and, in the longer term, finding or acquiring additional reserves. If the Company is unsuccessful in developing its current reserve base and if the Company fails to add new reserves through exploration or acquisitions, its total proved reserves will decline, which would adversely affect the Company's business, financial condition, prospects or the market price of the Shares.

Exploratory drilling involves numerous risks, including the risks of unexpected drilling conditions, abnormal pressure or other irregularities in geological formations, equipment failures or accidents, mechanical difficulties, adverse weather conditions, difficulties complying with legal, governmental or licensing requirements, suspension or termination of licences and shortages or delays in the availability of drilling rigs and equipment deliveries.

In addition to drilling in project areas with challenging environmental conditions, the Company may drill its wells to depths below 4.5 kilometres and/or under a layer of salt. Accordingly, the Company's drilling activity in respect of any particular well, project area, field or licence area, or in its entirety, may fail to result in commercial discoveries of hydrocarbons.

2.2.3 Technical risk in development of oil fields and oil production

The development of oil fields in which the Company participates is associated with significant technical risk and uncertainty with regards to production start. The risks include – but are not limited to - cost overruns, production disruptions and delays compared to initial plans established. Some of the most important risk factors are related to the determination of reserves and their recoverability and the planning of a cost efficient and suitable production method. There are also technical risks present in the production, which may cause cost overruns, failed investment and destruction of wells and reservoirs.

2.2.4 Estimates for abandonment costs

When the production from an oil field ceases, the Company is generally obliged to shut in wells and remove installations. Provisions are based on the best available estimates, based on today's technology and today's prices for services, equipment and manpower.

2.2.5 Permits and licenses

Significant parts of the Company's operations require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its projects. If the present permits and licenses are terminated or withdrawn, such events could have material negative effect on the Company's business, financial condition, prospects or the market price of the Shares.

2.2.6 Governmental regulations

The oil and gas industry in general is subject to extensive government policies and regulations, which result in additional cost and risk for industry participants. The Company's international operations are subject to various laws and regulations in countries in which it operates, including laws and regulations relating to the equipment and operation of drilling units, currency conversions and repatriation, oil and natural gas exploration and development, taxation of earnings and earnings of expatriate personnel, the use of local employees and suppliers by foreign contractors and duties on the importation and exportation of units and other equipment. Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and natural gas and other aspects of the oil and natural gas industries in their countries. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work done by major oil and natural gas companies and may continue to do so.

Failure to comply strictly with applicable laws, regulations, local practices and permit requirements may result in loss, reduction or expropriation, the imposition of additional local or foreign parties as joint venture partners, enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in rig operations or in the exploration or development of properties may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of rig and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company.

Operations in less developed countries can be subject to legal systems which are not as mature or predictable as those in more developed countries, which can lead to greater uncertainty in legal matters and proceedings. This could result in risks such as;

- potential difficulties in obtaining effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute;
- a higher degree of discretion on the part of governmental authorities;
- the lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and
- Relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions the commitment of local business entities, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain. In particular, agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangement in these jurisdictions cannot be assured.

2.2.7 Title to properties

The Company conducts title reviews in connection with its principal properties as it believes are commensurate with the values of such properties. These reviews may not be sufficient to conclusively determine title. Any successful third party challenge of the Company's title to principal properties could have material negative effect on the Company's business, financial condition, prospects or the market price of the Shares.

2.2.8 Commodity price volatility

The oil and gas industry has been subject to considerable price volatility, over which companies have little control, and a material decline in prices could result in a decrease in the Company's production revenue. The oil and gas industry has inherent business risks and there is no assurance that products can continue to be produced at economical viable rates or that produced reserves will be replaced. Fluctuations in prices and currency exchange rates, as well as changes in production volumes, are daily risks in the industry.

2.2.9 Environmental risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and state and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

The Company is uncertain as to the amount of future operating and capital expenses that will be required to comply with enhanced environmental regulations in the areas where it operates. Such expenses could have material negative effect on the Company’s business, financial condition, prospects or the market price of the Shares.

2.2.10 Reliance on operations and key personnel

To the extent that the Company is not the operator, the Company will be dependent upon other guarantors’ or third parties’ operations for the timing of activities and will be largely unable to control the activities of such operators. In addition, the Company’s success depends, to a significant extent, upon management and key employees. The loss of key employees could have a negative effect on the Company. Attracting and retaining additional key personnel will assist in the expansion of the Company’s business. The Company faces and will continue to face significant competition for skilled personnel. There is no assurance that the Company will successfully attract and retain personnel required to continue to expand its business and to successfully execute its business strategy.

2.2.11 Concession and joint operating agreements

The subsidiaries of Panoro Energy have entered into concession and joint operating agreements based on international standard joint operating agreements which include different forms of liability regulations. It is common for concessions or agreements to contain joint liability provisions and similar liabilities can be created under commercial contracts entered into by joint venture field partners with third parties .This creates a risk that Panoro Energy could be required to bear a cost within a joint venture higher than its equity share. Should a material liability of this nature arise, this could materially adverse affect the Company’s results of operations and financial condition.

2.3 FINANCIAL RISKS

2.3.1 Funding and liquidity risk

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.

Credit markets worldwide experienced severe reductions in liquidity and term funding in the aftermath of the global financial crisis in 2008 and 2009. Further, certain countries in Europe currently have significant sovereign debt levels and/or fiscal deficits which have led to uncertainties in the capital and credit markets in relation to those countries. These concerns have led to significant volatility in certain markets and also to significant exchange rate volatility, especially with respect to the Euro and U.S. dollar. These or similar disruptions and volatility in the credit or debt markets could adversely affect the Company’s access to capital and may increase the Company’s funding costs, which could negatively impact the Company’s results of operations and financial condition.

2.3.2 Credit risk

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, joint venture partners, including outstanding receivables and committed transactions. 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.

2.3.3 Currency risk

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), the Brazilian Real (BRL) and the Pound Sterling (GBP).

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 exchange rate risk, the Company is exposed to fluctuations in the currencies in which certain revenue, 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. Management has set up a policy for managing foreign exchange risk, including ad hoc utilization of financial instruments such as cross currency swaps to hedge the forward foreign currency risk. However there can be no assurance that such measures are entered into at the appropriate time in order to be sufficient to mitigate the Company's foreign exchange risk, and negative changes in exchange rates may materially and adversely affect the Company's business, financial condition, results of operations and cash flow.

2.3.4 Interest rate risk

The Company currently has no interest rate risk exposure on long-term borrowings, as the Company has fixed rate borrowings only. 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. Which currencies that the Company is exposed to may change from time to time.

To manage interest rate risk, management retains a proportion of fixed to floating rate borrowings within the guidelines of the risk management policy approved by the Board of Directors. However there can be no assurance that such measures are sufficient to mitigate the Company's interest rate risk exposure, and interest rate risk exposure may as a consequence materially and adversely affect the Company's business, financial condition, results of operations and cash flow.

2.3.5 Commodity price risk

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 plans 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

2.3.6 Change of Control Risk

T 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.

As a result of the Private Placement there are potentially certain change of control issues. As a result there can be no guarantee that the business can be conducted as described herein.

2.4 RISKS RELATED TO THE SHARES

2.4.1 Volatility of share price

The Company's Share price may experience substantial volatility. The trading price of the Shares could fluctuate significantly in response to, inter alia, the financial situation of the Company, variations in operating results, response to quarterly and annual reports issued by the Company, changes in earnings estimates by analysts, adverse business developments, changing conditions in the oil and gas industry at large, changes in general market or economic outlook, interest rate changes, foreign exchange rate movements, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors or changes to the regulatory environment in which the Company operates or rumours and speculation in the market. The market price of the Shares could decline due to sales of a large number of shares in the Company in the market or the perception that such sales could occur. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and at a price deemed appropriate.

2.4.2 Dilution

The Company may in the future see the need of additional equity investment in relation to financing capital intensive projects, or related to unanticipated expenses or liabilities. This may lead to a future need of additional issuance of shares in the Company. The Company cannot guarantee that the current shareholders ownership may not be diluted, in the event that the Company cannot obtain financing on desirable terms. For reasons relating to U.S. securities laws, and the laws in certain other jurisdictions, or other factors, U.S. investors, and investors in such other jurisdictions, may not be able to participate in a new issuance of shares or other securities and may face dilution as a result.

2.4.3 Limitations on dividends

The Company currently anticipates that it will retain all future earnings, if any, to finance the growth and development of its business. The Company does not intend to pay cash dividends in the foreseeable future. Any payment of cash dividends will depend upon the Company's financial condition, capital requirements, earnings and other factors deemed relevant by its Board and general meeting of shareholders.

3. RESPONSIBILITY FOR THE PROSPECTUS

THE BOARD OF DIRECTORS OF PANORO ENERGY

The Board of Directors of Panoro Energy accepts responsibility for the information contained in this Prospectus. The Board of Directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import.

4 March 2011

Philip Arthur Vingoe	**Katherine Hatlen Støvring**	**Ragnar Thor Grundtvig Søegaard**
Chairman	*Board member*	*Board member*

Tord Pedersen	**Christine M.K. Wheeler**
Board member	*Board member*

4. NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes “forward-looking” statements, including, without limitation, projections and expectations regarding the Company’s future financial position, business strategy, plans and objectives. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect”, “seek to” and similar expressions, as they relate to the Company, its subsidiaries or its management, are intended to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company and its subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company and its subsidiaries will operate. Factors that could cause the Company’s actual results, performance or achievements to materially differ from those in the forward-looking statements include but are not limited to:

- the competitive nature of the markets in which the Company operates,
- global and regional economic conditions,
- government regulations,
- changes in political events, and
- force majeure events

Some important factors that could cause actual results to differ materially from those in the forward-looking statements are, in certain instances, included with such forward-looking statements and in the section entitled “Risk Factors” (Section 2) in this Prospectus.

Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these forward-looking statements.

5. THE PRIVATE PLACEMENT AND THE SUBSEQUENT OFFERING

5.1 THE PURPOSE OF THE PRIVATE PLACEMENT AND THE SUBSEQUENT OFFERING AND USE OF PROCEEDS

The Company decided to conduct the Private Placement and the Subsequent Offering in order to strengthen its financial position. The net proceeds resulting from the share capital increase will be used to strengthen the Company's balance sheet in order to progress development projects in Brazil and Congo and further develop the underlying values in the portfolio.

Updated development plans for the Cavalo Marinho and Estrela do Mar fields were filed to the Brazilian National Petroleum Agency (“ANP”) on January 13, 2011. This was an important milestone on the way to a final investment decision and ultimately production from the BS-3 fields.

For the MKB project in Congo, the partnership are planning to drill a further six wells as part of the pilot program during 2011 and put in place a production facility. This is the first step in moving the project towards a full scale development.

The share issue significantly improves the Company’s ability to progress these projects.

5.2 THE PRIVATE PLACEMENT

5.2.1 Overview of the Private Placement

Panoro Energy and the Managers invited certain institutional and professional investors to participate in a book-building process in the Private Placement. On 3 February 2011, after the close of trade on Oslo Børs, the Company completed such book-building process for the issuance of 70,500,000 Placement Shares at a Subscription Price of NOK 7.80 per Placement Share in the Private Placement.

The Board allocated the Placement Shares to investors based on consultations with the Joint Lead Managers. An important aspect of the allocation principles was the desire to develop and strengthen the long-term shareholder structure for the Company. The allocation principles, in accordance with normal practice for institutional placements, included criteria such as long-term domestic and international leading investors, investor quality and quality of order. The Board of Directors decided to set aside the Shareholders’ preferential right to subscribe for Shares. Investors who were allocated Placement Shares in the Private Placement accepted not to receive Subscription Rights in the Subsequent Offering.

In a board meeting held on 3 February, the Company’s Board of Directors resolved the allocation of the Private Placement and to issue 16,394,708 of the Placement Shares (the “Listed Shares”) pursuant to a board authorisation to issue shares granted by the Company’s general meeting 12 August 2010 (the “Board Authorisation”). The Company announced the result of the book-building on 4 February 2011, and on 8 February 2011 issued notice of an extraordinary general meeting that was held on 1 March 2011 (the “Extraordinary General Meeting”). On that date, the general meeting resolved to issue the remaining Placement Shares in the Private Placement and to complete the Subsequent Offering, under which the Eligible Subscribers were given non-transferable rights for subscription and allocation of Offer Shares.

The Board of Directors passed the following resolution to increase the Company’s share capital in relation to the Private Placement on 3 February 2011:

“The Company’s share capital is increased pursuant to the Norwegian Public Limited Companies Act section 10-1 cf. section 10-17 on the following conditions:

1. *The share capital is increased with NOK 23,944,008.18 through an issue of 16,394,708 new shares.*

2. *The nominal value of the shares is NOK 1.460471768.*

3. *The share consideration is NOK 7.80 per share.*

4. *The new shares may be subscribed by the Managers. Over-subscription is not allowed. The pre-emptive right for subscription of shares for existing shareholders pursuant to the Norwegian Public Limited Companies Act is set aside.*

5. *Subscription of shares shall be made in a separate subscription form within 4 February 2011.*

6. *The share consideration shall be paid within 9 February 2011 by cash payment directly to the Company's special account.*

7. *The new shares entitle the shareholders to full shareholder rights, including dividends, from the time of the registration of the share capital increase in the Norwegian Register of Business Enterprises.*

8. *The Company's articles of association section 4 is amended as follows:*
   "The share capital is NOK 263,384,091.43 divided on 180,341,789 shares, each with a nominal value of NOK 1.460471768. The Company's shares shall be registered in a securities registry."

The Extraordinary General Meeting passed the following resolution to increase the Company's share capital in relation to the Private Placement on 1 March 2011:

"The Company's share capital is increased pursuant to the Norwegian Public Limited Companies Act section 10-1 on the following conditions:

1. *The share capital is increased with NOK 79,019,251.47 through an issue of 54,105,292 new shares.*

2. *The nominal value of the shares is NOK 1.460471768.*

3. *The share consideration is NOK 7.80 per share.*

4. *Subscription shall be made on separate subscription form on the 1 March 2011. The shares may be subscribed by Pareto Securities AS on behalf of the investors included in <u>annex 2</u> to the minutes from the general meeting. Over-subscription is not allowed.*

5. *The pre-emptive right for subscription of shares for existing shareholders pursuant to the Norwegian Public Limited Companies Act is set aside.*

6. *The share consideration shall be paid within 2 March 2011 by cash payment to a separate account with a Norwegian credit institution.*

7. *The new shares entitle the shareholders to full shareholder rights, including dividends, from the time of the registration of the share capital increase in the Norwegian Register of Business Enterprises.*

8. *With effect from the registration of the share capital increase with the Norwegian Register of Business Enterprises section 4 of the articles of association is amended to reflect the share capital and total number of shares after the share capital increase."*

The percentage of immediate dilution resulting from the Private Placement for Panoro Energy's shareholders is approximately 30.1%.

5.2.2 The Placement Shares

The Listed Placement Shares issued by the Board of Directors pursuant to the Board Authorisation were registered in the Norwegian Register of Business Enterprises and issued on 15 February 2011 and delivered to the relevant subscribers in the Private Placement and listed on Oslo Børs on 15 February 2011.

The Listing Shares issued by the Company's general meeting are expected registered in the Norwegian Register of Business Enterprises and issued on or about 7 March 2011, and will be delivered to the relevant subscribers and listed on Oslo Børs on or about 7 March 2011.

The Placement Shares carry full shareholder rights equal to the existing ordinary Shares of the Company. For a description of rights attaching to Shares in the Company, see section 13 "Share Capital and Shareholder Matters" of this Prospectus.

5.3 THE SUBSEQUENT OFFERING

5.3.1 Overview of the Subsequent Offering

The Subsequent Offering comprises up to 6,500,000 Offer Shares, each with nominal value of NOK 1.460471768, at a Subscription Price of NOK 7.80 per Offer Share. The Eligible Subscribers will receive will receive 1 non-transferable subscription right for (i) each 26.376474 Share in the Company held per 3 February 2011, or (ii) each 26.376474 existing warrant in the company per 7 February 2011.

5.3.2 Increase of share capital in connection with the Subsequent Offering

The following resolution to increase the Company's share capital in connection to the Subsequent Offering was passed by the extraordinary general meeting held on 1 March 2011:

"The Company's share capital is increased pursuant to the Norwegian Public Limited Companies Act section 10-1 on the following conditions:

1. *The share capital is increased by minimum NOK 1.460471768 and maximum NOK 9,493,066.49 by issue of minimum 1 share and maximum 6,500,000 shares.*
2. *The nominal value is NOK 1.460471768 per share.*
3. *The subscription price shall be NOK 7.80 per share.*
4. *Shareholders' pre-emptive rights to subscribe for the new shares pursuant to the Norwegian Public Limited Companies Act section 10-4 are set aside. The Company's shareholders per 3 February 2011, with the exception of shareholders allocated shares in the Private Placement resolved under item 4 and the holders of the Company's warrants per 7 February 2011, will receive 1 non-transferable subscription right for each 26.376474 existing share in the Company per 3 February 2011 or each 26.376474 existing warrant in the company per 7 February 2011. The number of subscription rights to be issued to each shareholder will be rounded down to the nearest whole subscription right. Each subscription right will entitle the holder thereof to subscribe for one new share.*

   With respect to shareholders or holders of warrants resident in countries where distribution of the prospectus, reception of subscription rights, or subscription of shares, is restricted by applicable law, the Company shall have the right (but no obligation) to sell such shareholders' or holders of warrants' subscription rights against payment of net sales proceeds to such shareholders or holder of warrants.

Oversubscription and subscription of shares without subscription rights is permitted.

5. *The shares may be subscribed from the date the prospectus prepared in connection with the share capital increase is approved by the Financial Supervisory Authority of Norway and published in accordance with the Norwegian Securities Trading Act section 7-19, however at the latest 30 April 2011. The subscription period is two weeks.*

6. *Payment for new shares shall be made in cash to a separate account with a Norwegian credit institution within six trading days after the expiry of the subscription period.*

7. *The shares will entitle to dividend as from the registration of the share capital increase in the Norwegian Register of Business Enterprises.*

8. *With effect from the registration of the share capital increase with the Norwegian Register of Business Enterprises section 4 of the articles of association is amended to reflect the share capital and total number of shares after the share capital increase."*

5.3.3 The Subscription Period

The Subscription Period for the Subsequent Offering commences on 7 March 2011 and expires at 17:30 (CET) on 21 March 2011.

5.3.4 Subscription price

The Subscription Price in the Subsequent Offering has been set at NOK 7.80 per Offer Share, which is identical to the Subscription Price per Placement Share in the Private Placement. No expenses or taxes are charged to the subscribers in the Subsequent Offering by the Company or the Managers.

5.3.5 Subscription Rights

In accordance with the resolution passed by the Extraordinary General Meeting, Eligible Subscribers will be allocated Subscription Rights in proportion to their shareholding in the Company as of 3 February 2011 (as shown in VPS 8 February 2011) or their holding of Warrants as of 7 February 2011. The Company will issue 1 Subscription Right per each 26.376474 Share or Warrant held in the Company as of 3 February 2011 and 7 February 2011 respectively. The number of Subscription Rights issued to each Eligible Subscriber will be rounded down to the nearest whole number of Subscription Rights.

Each Subscription Right grants the owner the right to subscribe for and be allocated one Offer Share. Oversubscription and subscription without Subscription Rights is permitted.

The Subscription Rights will be issued and registered in the VPS under ISIN NO 001 0602238. The Subscription Rights will be delivered free of charge and the recipient will not be debited any charges.

Subscribers subscribing on the basis of Subscription Rights who over-subscribe (i.e. subscribes for more Offer Shares than the number of Subscription Rights held by them) will have priority to the Offer Shares not subscribed for by holders of Subscription Rights (see section 5.3.7 for more details).

Subscription Rights not used to subscribe for Offer Shares before the expiry of the Subscription Period will lapse without compensation to the holder, and consequently be of no value.

Shareholders and Warrant holders resident in countries with legislation that forbids or restricts subscription for Offer Shares in the Subsequent Offering ("Ineligible Subscribers") will not receive the Prospectus or the Subscription Form. The Subscription Rights may initially be transferred to the VPS account of such Ineligible Subscribers, however, such Subscription Rights may not be exercised by the Ineligible Subscriber.

5.3.6 The subscription procedure

The subscription offices for subscriptions in the Subsequent Offering are as follows:

Subscription offices

Pareto Securities AS	**Carnegie ASA**
Dronning Mauds gate 3	Stranden 1
P.O. Box 1411 Vika	P.O. Box 684 Sentrum
NO-0115 Oslo, Norway	NO-0106 Oslo, Norway
Fax: +47 22 87 87 15	Fax: +47 22 00 99 60
Tel: +47 22 87 87 00	Tel: +47 22 00 93 20
www.pareto.no	www.carnegie.no

The Subscription Forms must be received by the Managers prior to the expiry of the Subscription Period. Neither the Company nor the Managers may be held responsible for delays in the mail system or for Subscription Forms forwarded by facsimile that are not received in time by the Managers. It is not sufficient for the Subscription Form to be postmarked within the deadline.

Multiple subscriptions (i.e. subscriptions on more than one Subscription Form) within the Subscription Period are admitted. Please note, however, that each Subscription Form will only be counted once (e.g. if the same Subscription Form is received by fax more than once, or if it is received by both fax and mail, it only counts as one subscription). Two separate Subscription Forms submitted by the same subscriber with the same amount of Offer Shares subscribed for on both forms will only be counted once unless otherwise explicitly stated on the Subscription Form.

Oversubscription and subscription without Subscription Rights is permitted.

Norwegian citizens may subscribe for Offer Shares by following the links www.panoroenergy.com, www.pareto.no or www.carnegie.no, which will redirect the subscriber to the VPS online subscription system. In order to use the online subscription system, the subscriber must have, or obtain, a VPS account number. All online subscribers must verify that they are Norwegian citizens by entering their national identity number (Norwegian: "personnummer"). Neither the Managers nor the Company assumes any responsibility for failure to subscribe or inability to subscribe for Offer Shares due to technical or internet problems.

The Managers may at their sole discretion refuse any improperly completed, delivered or executed Subscription Forms or any subscription that may be unlawful.

The subscription for Offer Shares is irrevocable and may not be withdrawn, cancelled or modified once it has been received by the Managers.

5.3.7 Allocation of Offer Shares

The allocation of Offer Shares will be made applying the following criteria:

i) Offer Shares shall be allocated on the basis of used Subscription Rights;

ii) In the event that not all Subscription Rights are used and the Subsequent Offering is over-subscribed, holders of Subscription Rights who have subscribed for more Offer Shares than the held Subscription Rights, shall have preferential rights to allocation of unsubscribed Offer Shares in accordance with the principles of Section 10-4 (3) of the Norwegian Public Companies Act; and

iii) To the extent the Subsequent Offering is not fully subscribed after applying the criteria (i) and (ii) above, Offer Shares shall be allocated at the discretion of the Board of Directors to subscribers not holding Subscription Rights that have subscribed for Offer Shares in the Subsequent Offering.

The allocation of Offer Shares will take place after the expiry of the Subscription Period on or about 22 March 2011 and notifications of allocation will be dispatched by post from the VPS on or about 22 March 2011. The Board reserves the right to round off, regulate or in another way reject or reduce any subscription not covered by Subscription Rights (ref. item (i) above).

The Company will disclose information with regard to the number of Shares subscribed for in the Subsequent Offering on or about 22 March 2011 through the information system of Oslo Børs at www.newsweb.no under the ticker PEN.

5.3.8 Payment for the allocated Offer Shares

The payment for the Offer Shares falls due on 25 March 2011 (the "**Payment Date**").

Subscribers having a Norwegian bank account

Each subscriber with a Norwegian bank account must, and will by signing the Subscription Form, give the Managers a one-time irrevocable authorisation to debit a specified bank account for the amount payable for the number of Offer Shares the subscriber may be allocated. The specified bank account is expected to be debited on or about the Payment Date.

By signing the Subscription Form, the subscriber authorises the Managers to debit the bank account specified by the subscriber for payment of the allocated Offer Shares. The Managers is only authorised to debit each account once, but reserves the right to make up to three debit attempts. As the debiting takes place ahead in time, the authorisation will be in force for a period of up to seven business days after the Payment Date. The Managers reserves the right to consider the payment overdue if there are not sufficient funds to cover payment for the Offer Shares allocated on the account when an attempt to debit the account is made by the Managers on or after the Payment Date, or if it for other reasons is not possible to debit the bank account. The subscriber furthermore authorises the Managers to obtain confirmation from the subscriber's bank that the subscriber has disposal over the stated account as well as a confirmation that there are sufficient funds in the account to cover the payment. Payment by direct debiting is only available for investors that are allocated Offer Shares for an amount below NOK 5 million. By signing the Subscription Form, subscribers who subscribe for an amount exceeding NOK 5 million give the Managers an authorisation to manually debit the stated bank account on or about the Payment Date.

Payment by direct debiting is a service provided by cooperating banks in Norway. In the relationship between the payer and the payer's bank, the following standard terms and conditions apply:

(i) The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.

(ii) Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information is given by other appropriate manner. The bank will charge the indicated account for incurred costs.

(iii) The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payers bank account.

(iv) In case of withdrawal of the authorisation for direct debiting, the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act, the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.

(v) The payer cannot authorise for payment a higher amount than the funds available at the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account is being charged. If the account has been charged with an amount higher than the funds available, the difference shall be covered by the payer immediately.

(vi) The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.

(vii) If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

Subscribers not having a Norwegian bank account

Subscribers who do not have a Norwegian bank account established must ensure that payment with cleared funds for the Offer Shares allocated is made on or before 1400 hours CET, 24 March 2011. Prior to any such payment being made, the subscriber must contact the Managers for further details and instructions.

5.3.9 Overdue payments

Overdue and late payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment, currently 9.00% per annum. If the subscriber fails to comply with the terms of payment, the Offer Shares will not be delivered to the subscriber. The Company and the Managers reserve the right to have the Managers advance the payment on behalf of subscribers who have not made payment of the Offer Shares within the Payment Date. To the extent such advanced payment is made, the Company and the Managers reserves the right to sell or assume ownership of the Offer Shares on the fourth day after the Payment Date without further notice to the subscriber in question in accordance with Section 10-12 (4) of the Norwegian Public Limited Companies Act. The subscriber will be liable for any loss, cost and expenses suffered or incurred by the Company and/or the Managers as a result of or in connection with such disposals. The subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued (and will not be entitled to profits, if any), and the Company and/or the Managers may enforce payment for any such amount outstanding within the frames of applicable Norwegian law.

5.3.10 Delivery and trading of the Offer Shares

Following sufficient payment of Offer Shares subscribed in the Subsequent Offering, the Company will register the share capital increase in the Norwegian Register of Business Enterprises, which is expected to happen on or about 29 March 2011. As soon as practically possible thereafter, the allocated and paid Offer Shares will be transferred to the subscribers' VPS accounts. The allocated Offer Shares are expected to be delivered to the subscribers' VPS account on or about 30 March 2011, provided that all subscribers have paid for the allocated shares.

The Offer Shares may not be traded before registration of the share capital increase in the Norwegian Register of Business Enterprises. Provided timely payment of the Offer Shares, the first day of trading on Oslo Børs is expected to be on or about 29 March 2011.

5.3.11 The rights conferred by the Offer Shares

The Offer Shares will in all respects carry full shareholder rights equal to the existing ordinary Shares of the Company from the date the share capital increase is registered in the Norwegian Register of Business Enterprises, provided, however, that they shall give right to dividend declared after the date the share capital increase has been registered in the Register of Business Enterprises. For a description of rights attaching to Shares in the Company, see Section 13.4.6 "Voting rights and other shareholder rights" of this Prospectus.

5.3.12 Publication of information in respect to the Subsequent Offering

In addition to press releases on the Company's website www.panoroenergy.com, the Company intends to use the Oslo Børs information system at www.newsweb.no to publish information in respect to the Subsequent Offering. The Company will publish information with regard to the number of shares subscribed in the Subsequent Offering on or about 22 March 2011.

5.4 VPS REGISTRATION

The Company's Shares are registered in VPS, the Norwegian Central Securities Depository. The Shares' securities number is NO 0010564701. The Company's VPS registrar is Nordea Bank Norge ASA, Registrars department, Essendrops gate 7, 0368 Oslo, Norway.

As the existing Shares of the Company, the Offer Shares issued in the Subsequent Offering will be listed on Oslo Børs under the ticker code PEN.

5.5 SHARE CAPITAL FOLLOWING THE PRIVATE PLACEMENT AND THE SUBSEQUENT OFFERING

As of the date of this Prospectus, the Company's share capital is NOK 342,403,342.90 divided into 234,447,081 shares, each with a nominal value of NOK 1.460471768. The Company's share capital is fully paid up and issued in accordance with Norwegian Law.

The final number of Offer Shares to be issued in connection with the Subsequent Offering will depend on the number of Offer Shares subscribed. The maximum number of Offer Shares to be issued is 6,500,000, all with a nominal value of NOK 1.460471768 per Share which will give a further increase in the Company's total number of issued Shares from NOK 342,403,342.90 to a maximum of NOK 351,896,409.39. The Offer Shares will be issued in accordance with the resolution passed at the General Meeting held on 1 March 2011. Please see Section 13 "Share Capital and Shareholder matters" for a further description of the Company's share capital.

5.6 PROCEEDS AND COSTS

The transaction costs of the Company related to the Private Placement and the Subsequent Offering are estimated at approximately NOK 24.5 million, and accordingly the net proceeds of the Private Placement and the Subsequent Offering will be approximately NOK 575.5 million, assuming the Subsequent Offering will be fully subscribed.

No expenses or taxes are charged to the subscribers in the Private Placement or the Subsequent Offering by the Company or the Managers. After deductions of costs associated with the Private Placement and the Subsequent Offering, the premium shall be allocated to the Company's share premium reserve.

5.7 DILUTION

The Company had 163,947,081 Shares outstanding prior to the Private Placement. Assuming full subscription in the Subsequent Offering, a total of 77,000,000 new Shares will be issued in the Offerings, resulting in a dilution of approximately 32.0% for existing shareholders who did not participate in the Offerings.

On the basis that the share capital increase in the Private Placement has been registered in the Norwegian Register of Business Enterprises, the percentage of immediate dilution resulting from the Subsequent Offering for Panoro Energy's shareholders is expected to amount to approximately 2.7% if all Offer Shares are issued.

	Prior to the Private Placement and Subsequent Offering	Prior to the Subsequent Offering	Subsequent to both Offerings
No of Shares each with a nominal value of NOK 1.460471768	163,947,081	234,447,081	240,947,081
% dilution	0.00 %	30.1%	32.0%

5.8 MANAGERS AND ADVISORS

The Private Placement and the Subsequent Offering is being managed by Pareto Securities AS (Dronning Mauds gate 3, 0250 Oslo, Norway) and Carnegie ASA (Stranden 1 - Aker Brygge, 0106 Oslo, Norway).

Advokatfirmaet Selmer DA is acting as Company's legal counsel in connection to the Private Placement and the Subsequent Offering.

The Company's auditor is Ernst & Young, Dronning Eufemias gate 6, N-0051 Oslo.

5.9 JURISDICTION AND GOVERNING LAW

This Prospectus, the Subscription Form and the terms and conditions of the Subsequent Offering shall be governed by and construed in accordance with, and the Offer Shares will be issued pursuant to, Norwegian law. Any dispute arising out of, or in connection with, this Prospectus or the Subsequent Offering shall be subject to the exclusive jurisdiction of Oslo District Court.

5.10 INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE SUBSEQUENT OFFERING

The Company is not aware of any natural or legal person having an interest in the Subsequent Offering which is material in the context of the Subsequent Offering.

5.11 SELLING AND TRANSFER RESTRICTIONS

The distribution of this Prospectus and the Subsequent Offering and sale of the Offer Shares and the Subscription Rights offered hereby may in certain jurisdictions be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares or Subscription Rights offered hereby in any jurisdiction in which such offer or invitation would be unlawful. No one has taken any action that would permit a public Subsequent Offering of the Offer Shares to occur outside of Norway. Furthermore, the restrictions and limitations listed and described herein are not exhaustive, and other restrictions and limitations in relation to the Prospectus and/or the Subsequent Offering that are not known or identified by the Company and the Managers at the date of this Prospectus may apply in various jurisdictions as they relate to the Prospectus and the Subsequent Offering.

The Offer Shares and the Subscription Rights have not been and will not be registered under the US Securities Act or any state securities laws, and may not be offered or sold within the United States, except in transactions exempt from the registration requirements of the US Securities Act. Furthermore, the Offer Shares and the Subscription Rights may not be offered or sold in or into Canada, Japan or Australia.

5.12 MANDATORY ANTI-MONEY LAUNDERING PROCEDURES

The Subsequent Offering is subject to the Norwegian Money Laundering Act of 6 March 2009 no. 11 and the Norwegian Money Laundering Regulations (collectively the "Anti-Money Laundering Legislation").

All subscribers not registered as existing customers with the Managers must verify their identity in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers that have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, provided the aggregate subscription price is less than NOK 100,000, unless verification of identity is requested by the Managers. The verification of identity must be completed prior to the end of the Subscription Period. Subscribers that have not completed the required verification of identity may not be allocated Offer Shares.

Further, in participating in the Subsequent Offering, each subscriber must have a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian subscribers may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of a VPS account requires verification of identity before the VPS registrar in accordance with the Anti-Money Laundering Legislation.

6. CONSOLIDATED FINANCIAL INFORMATION

6.1 PANORO ENERGY

6.1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The selected unaudited historical consolidated financial data for Panoro Energy set forth in this section has been extracted from the Company's unaudited interim condensed consolidated financial statements for the twelve months ended 31 December 2010. These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and the accounting principles that are disclosed in note 2 of the interim financial statements as incorporated by reference in this Prospectus (see section 16.2 "Incorporated by Reference").

The selected unaudited historical financial data set forth below may not contain all of the information that is important to a potential investor of shares in Panoro Energy. As a result, the data should be read in conjunction with the relevant interim financial statements and the notes to those statements as incorporated by reference in this Prospectus (see section 16.2 "Incorporated by Reference") and information contained in the previously issued prospectus as of 16 September 2010, see section 7 "Unaudited pro forma financial information" and section 16.2 "Incorporated by Reference".

The legal entity Panoro Energy ASA (established 28 April 2009) was acquired by Norse Energy in December 2009. The legal entity had no operations or activity in 2009. As a result, the comparatives to the unaudited interim financial statements represent the historical carved out balances and transactions of the Brazilian subsidiary Norse Energy do Brazil, in line with the guidelines given by IFRS and the accounting principles that are disclosed in note 2 of the second quarter 2010 unaudited interim financial statements as incorporated by reference in this Prospectus (see section 16.2). The audited financial statements of Panoro Energy ASA for 2009 are incorporated by reference in this Prospectus (see section 16.2).

6.1.2 FUNDING AND TREASURY POLICIES AND OBJECTIVES

The Company has adopted the funding and treasury policies and objectives as Norse Energy and is described in the Annual Report 2009 (note 22) for Norse Energy, as incorporated by reference in this Prospectus (see Section 16.2 "Incorporated by Reference").

6.1.3 BASIS OF PREPARATION

The following tables present data extracted from selected unaudited financial information for Company as of 31 December 2010 with quarterly comparative information as disclosed in the interim financial statements which is incorporated by reference in this Prospectus (see section 16.2 "Incorporated by Reference").

Consolidated Statement of Comprehensive Income (USD 000)

Q4 2009	Q4 2010	*Amounts in USD 000*	2010	2009
Unaudited			Unaudited	
11,088	12,438	Oil and Gas revenue	44,103	34,650
-	-	Other income	251	-
11,088	**12,438**	**Total revenues and other income**	**44,354**	**34,650**
(1,197)	(1,822)	Production costs	(5,160)	(4,002)
5	25	Exploration related costs	(4,811)	(14,162)
(1,976)	(4,742)	General and administrative costs	(13,006)	(7,293)
-	(561)	Merger and restructuring costs	(6,217)	-
7,920	**5,338**	**EBITDA**	**15,160**	**9,193**
(1,721)	(2,390)	Depreciation	(8,491)	(6,423)
(1,179)	(1,685)	Impairment	(1,685)	(13,679)
-	(459)	Share based payments	(565)	-
5,020	**804**	**EBIT - Operating income / (loss)**	**4,419**	**(10,909)**
-	-	Gain on acquisition of subsidiary	2,329	-
(5,389)	(11,064)	Net finance income/(costs)	(24,845)	(13,347)
(4,051)	(31)	Net foreign exchange gain/(loss)	(1,160)	33,075
-	(706)	Movement in fair value of warrants liability	(1,154)	-
(4,420)	**(10,997)**	**Income / (loss) before tax**	**(20,411)**	**8,819**
(708)	5,740	Income tax benefit/(expense)	5,254	(4,719)
(5,128)	**(5,257)**	**Net income / (loss) for the period**	**(15,157)**	**4,100**
(6,502)	1,230	Exchange differences arising from translation of foreign operations	8,357	20,620
(6,502)	**1,230**	**Other comprehensive income / (loss) for the period (net of tax)**	**8,357**	**20,620**
(11,630)	**(4,027)**	**Total comprehensive income / (loss) for the period**	**(6,800)**	**24,720**
		Net income / (loss) for the period attributable to:		
(3,406)	(5,257)	Equity holders of the parent	(13,784)	7,932
(1,722)	-	Non-controlling interests	(1,373)	(3,832)
		Total comprehensive income / (loss) for the period attributable to:		
(9,691)	(4,027)	Equity holders of the parent	(4,413)	26,158
(1,939)	-	Non-controlling interests	(2,387)	(1,438)
		Earnings per share		
(0.05)	(0.03)	(USD) – **Basic and diluted** for income/(loss) for the period attributable to equity holders of the parent	(0.14)	0.12

Condensed consolidated Statements of Financial Position (USD 000)

Amounts in USD 000	Dec 31, 2010	Dec 31, 2009
	(Unaudited)	
		restated
Non-current assets		
Licenses and exploration assets	190,814	123,295
Production assets and equipment	109,663	110,756
Property, furniture, fixtures and office equipment	1,329	2,743
Deferred tax assets	31,682	24,090
Other non-current assets	1,803	1,791
Total Non-current assets	**335,291**	**262,675**
Current assets		
Trade and other receivables	22,738	14,864
Cash and bank balances	61,713	13,105
Total current assets	**84,451**	**27,969**
Total Assets	**419,742**	**290,644**
Equity		
Share capital	38,141	77,933
Other equity	184,133	(10,636)
Total Equity attributable to equity holders of the parent	**222,274**	**67,297**
Non-controlling interest	-	30,084
Total Equity	**222,274**	**97,381**
Non-current liabilities		
Long-term interest bearing debt	136,365	-
Deferred tax liabilities	8,535	-
Other long-term liabilities	20,943	20,928
Total Non-current liabilities	**165,843**	**20,928**
Current liabilities		
Short-term interest bearing debt	1,614	80,809
Liabilities related to warrants	1,199	-
Loan payable to Norse Energy Corporation ASA	-	57,699
Accounts payable, accruals and other liabilities	28,812	33,827
Total current liabilities	**31,625**	**172,335**
Total Liabilities	**197,468**	**193,263**
Total Equity and Liabilities	**419,742**	**290,644**

Consolidated Cash flow Statements (USD 000)

Q4 2009	Q4 2010	*Amounts in USD 000*	Dec 31, 2010	Dec 31, 2009
(Unaudited)			(Unaudited)	
		CASH FLOWS FROM OPERATING ACTIVITIES		
(4,420)	(10,997)	Net income / (loss) for the period before tax	(20,411)	8,819
		Adjusted for:		
1,721	2,390	Depreciation	8,491	6,423
-	706	Market adjustments for warrant effects	1,154	-
-	(25)	Non-cash dry-hole and exploration related costs	4,811	7,300
1,179	1,685	Impairment	1,685	13,679
-	-	Gain on sale of property	(251)	-
5,389	11,064	Net finance costs	24,845	13,347
-	459	Share based payments	565	-
-	-	Gain on acquisition of subsidiary	(2,329)	(33,075)
4,051	1,247	Foreign Exchange Gains/losses	1,160	-
(343)	(5,236)	Working Capital Movements	(15,225)	(22,699)
7,577	**1,293**	**Net cash flows from operating activities**	**4,495**	**(6,206)**
		CASH FLOWS FROM INVESTING ACTIVITIES		
(6,026)	(4,338)	Investment in Exploration, production and other assets	(8,607)	(16,107)
-	30,000	Proceeds from sale of property and assets held for sale	31,421	-
-	-	Net cash acquired at acquisitions	4,304	-
(6,026)	**25,662**	**Net cash flows from investing activities**	**27,118**	**(16,107)**
		CASH FLOWS FROM FINANCING ACTIVITIES		
-	-	Net proceeds from issuance of shares	54,851	30,000
(1,041)	(9,450)	Net interests paid	(28,006)	(5,883)
6,438	136,365	Proceeds from debt issue	136,365	12,438
(2,460)	(121,536)	Repayments of borrowings	(143,977)	(12,416)
2,937	**5,379**	**Net cash flows from financing activities**	**19,233**	**24,139**
4,488	32,334	**Change in cash and cash equivalents during the period**	50,846	1,826
4,935	27,935	Cash and cash equivalents at the beginning of the period	9,423	7,597
9,423	**60,269**	**Cash and cash equivalents at the end of the period**	**60,269**	**9,423**
3,682	1,444	Restricted cash	1,444	3,682
13,105	**61,713**	**Cash and bank balances at the end of the period**	**61,713**	**13,105**

Consolidated changes in equity (USD 000)

For year ended December 31, 2010 *Amounts in USD 000 (Unaudited)*	Attributable to equity holders	Non-controlling interest	Total equity
At January 1, 2010 (unaudited) - restated	67,297	30,084	97,381
Income / (loss) for the period	(13,784)	(1,373)	(15,157)
Other comprehensive income	9,371	(1,014)	8,357
Total Comprehensive income	(4,413)	(2,387)	(6,800)
Share based payments	565	-	565
Re-organisation of share capital on de-merger	(77,933)	-	(77,933)
Issue of shares	236,758	(27,697)	209,061
At December 31, 2010 (unaudited)	222,274	-	222,274

For year ended December 31, 2009 *Amounts in USD 000 (Unaudited)*	Attributable to equity holders	Non-controlling interest	Total equity
At January 1, 2009 (unaudited) - restated	4,069	-	4,069
Income / (loss) for the period	7,932	(3,832)	4,100
Other comprehensive income	18,226	2,394	20,620
Total Comprehensive income	26,158	(1,438)	24,720
Issue of shares and dilution of controlling interest	37,070	31,522	68,592
At December 31, 2009 (unaudited) - restated	67,297	30,084	97,381

6.2 BRAZIL GROUP

6.2.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The selected unaudited historical consolidated financial data for the Brazil Group set forth in this section has been carved out from Norse Energy's audited group financial statements for the financial years 2009, 2008 and 2007. These financial statements have been prepared in accordance with IFRS and the accounting principles that are found in the related Annual Reports for Norse Energy. Norse Energy's Annual Reports including auditor's reports for 2009, 2008 and 2007, are incorporated by reference in this prospectus, please see Section 16.2.

The selected unaudited carved out financial data set forth below may not contain all of the information that is important to a potential investor of shares in the demerged company. As a result, the data should be read in conjunction with the relevant financial statements and the notes to those statements.

There have been no audit qualifications in connection with the 2007-2009 financial statements for Norse Energy. In the 2008 audit report, Deloitte draws attention to the Board of Directors discussion of the uncertainty concerning funding that was present at the time of the audit report, without qualifying its report, with the following wording: ";" Without qualifying our opinion, we draw attention to the information in the Board of Director's report related to the uncertainty concerning the Company's ability to secure funding of its capital expenditure program".

In Norse Energy do Brasil S.A. Auditors report for 2008, based on Brazilian GAAP Deloitte has drawn attention to the following:

. As described in note 2 b), in the preparation of its financial statements for the year ended December 31, 2008, the Company did not consider Technical Pronouncement CPC-02 "Effects of Exchange Rates Variations and Translation of Financial Statements", approved by the Federal Accounting Council (CFC) by means of Resolution 1120/08. This pronouncement requires that companies book their transactions based on their "Functional Currency" definition, even when this currency is different from that of the country of incorporation.

Norse Energy do Brasil S.A. had not implemented this pronunciation due to the fact that it came very late in the year, the subsidiary knew that their functional currency would change to BRL in 2009 and the fact that this would have no impact on the Norse Consolidated IFRS accounts.

. The financial statements have been prepared assuming that the Company will continue as a going concern. As of December 31, 2008, the Company has negative working capital of R$201,421 thousand (Company) and R$397,636 thousand (consolidated) - R$119,814 thousand (Company) and R$165,390 thousand (consolidated) as of December 31, 2007, which is in line with the Company's initial business plan. Management understands that shareholders will provide the funds required for the Company to continue as a going concern until its cash flow becomes balanced. In addition, as described in Note 11, discussions are being held with creditor financial institutions to renegotiate the current debts. To continue as a going concern, the Company depends on the ongoing financial support of its shareholders until its cash flow is balanced, and also on the favorable conclusion of discussions with creditor financial institutions. The financial statements herewith presented did not consider the adjustments and/or reclassifications that might result from the resolution of these uncertainties.

6.2.2 HISTORICAL FINANCIAL ACCOUNTS

The unaudited carved out consolidated financial statements included in this document are derived from the historical financial statements of Norse Energy and are presented as though the Brazil Group was a separate enterprise, based upon the structures in place during the periods covered. Accordingly, such information may not reflect what the results of operations, financial position and cash flows would have been had the Brazil Group been a separate, stand-alone entity during the periods presented and it may not be indicative of the results of operations, financial position and cash flows of the Brazil Group in the future.

The legal entity Panoro Energy ASA (established 28 April 2009) was acquired by Norse Energy in December 2009. The legal entity had no operations or activity in 2009. Audited financial information of Panoro Energy ASA for 2009 including auditor's report, is incorporated by reference in Section 16.2 of this Prospectus. The following is a summary of the audited Statement of Financial Position of Panoro Energy ASA as of 31 December 2009:

Statement of Financial Position; Panoro Energy ASA	**(USD 000)**
Assets	31.12.2009
Current assets	
Cash and cash equivalents	173
Total assets	173
Equity and liabilities	
Equity	173
Total equity and liabilities	173

6.2.3 BASIS FOR PREPARATION

The following tables present data extracted from selected financial information for the Brazil Group as of and for each of the three years ended 31 December 2009, 2008 and 2007.

The unaudited carve out financial information is based on the segment information from Norse Energy Corporation's Annual Reports. The unaudited carved out financial information consists of the Brazil E&P segment in addition to the following allocations from the Norwegian parent in accordance with the demerger plan: USD 8 million in cash, the NEC01 bond loan with accrued interest, 40% of the NECJ warrant liability, cost accruals and allocated overhead costs.

Detailed specifications of the unaudited financial carved out financial statements, referenced to the Norse Energy Annual Reports 2007, 2008 and 2009 (as incorporated by reference in Section 16.2 of this Prospectus), are incorporated by reference (please see Section 16.2). The specifications explain the links between the audited Norse Energy's financial statements for 2009, 2008 and 2007 and the unaudited carved out financial information that represent the historical financial information of the Brazil Group operations being demerged from Norse Energy.

Unaudited Carved out Consolidated Financial Statements (USD 000)

	2009 **The Brazil Group Carved out**	**2008** **The Brazil Group Carved out**	**2007** **The Brazil Group Carved out**
Oil and Gas revenue	34 650	73 551	46 621
Total revenue	34 650	**73 551**	**46 621**
Production costs	-4 002	-25 692	-23 221
Exploration and dry hole costs	-14 160	-22 937	-236
General and administrative expenses	-11 473	-15 918	-7 906
EBITDA	**5 015**	**9 004**	**15 258**
Depreciation	-6 809	-11 237	-24 151
Impairment	-13 679	-25 911	-26 159
Total operating expenses	**-50 123**	**-101 695**	**-81 673**
EBIT-Operating income/loss	**-15 473**	**-28 144**	**-35 052**
Interest revenue	3 249	4 660	2 142
Interest expense	-16 425	-16 359	-9 325
Foreign exchange gain/(loss)	24 649	5 828	6 544
Other financial income	283	2 400	-1 294
Net financial items	**11 756**	**-3 471**	**-1 933**
Net profit/(loss) before tax	-3 717	-31 615	-36 985
Income tax	-4 283	10 674	9 153
Profit /(Loss)after tax	**-8 000**	**-20 941**	**-27 832**

Unaudited Carved out consolidated Statements of Financial Position (USD 000)

	2009 The Brazil Group Carved out	2008 The Brazil Group Carved out	2007 The Brazil Group Carved out
Assets			
Non-current assets			
Licence and exploration assets	126 300	99 759	114 705
Deferred tax asset	22 564	10 105	0
Other non current assets	2 099	7 983	13 273
Field Investment and equipment	111 300	81 640	110 496
Furniture and fixtures	2 806	2 276	1 954
Total non current assets	**265 069**	**201 763**	**240 428**
Current assets			
Inventory	0	290	3 051
Accounts receivable and other short term assets	14 715	15 996	21 815
Cash and cash equivalents	17 105	14 891	10 489
Total current assets	**31 820**	**31 177**	**35 355**
Total assets	**296 889**	**232 940**	**275 783**
Equity and liabilities			
Equity	**105 015**	**67 568**	**91 957**
Long term liabilities			
Deferred tax liability	0	0	14 141
Other long term debt Brazil	20 928	23 416	22 561
Allocated 40 % of NEC J warrant liability	4 518	4 801	8 039
Total long term liabilities	**25 446**	**28 217**	**44 741**
Short term Interest bearing debt Brazil	80 887	78 952	74 727
Accounts payable and other current liabilities Brazil	33 977	10 492	15 130
Allocated accrued interest NEC01	2 703	2 198	3 117
Allocated accrued expenses	274	276	191
Allocated NEC01 bond loan	48 588	45 238	45 920
Total current liabilities	**166 428**	**137 156**	**139 085**
Total liabilities	**191 874**	**165 372**	**183 826**
Total equity and liabilities	**296 889**	**232 940**	**275 783**

Unaudited Consolidated Cash flow Statements (USD 000)

Consolidated Statement of Cash flows	2009	2008
Net cash flows from operating activities	8 111	144
Net cash flows from investing activities	-8 807	-18 285
Net cash flows from financing activities	-1 683	24 347
Effects of foreign currency and translation of foreign operations on cash balances	4 593	-1 804
Change in cash and cash equivalents during the period	2 214	4 402
Cash and cash equivalents at the beginning of the period	14 891	10 489
Cash and cash equivalents at the end of the period	17 105	14 891

Unaudited Consolidated changes in equity (USD 000)

At December 31,2007	**91,957**
Profit & Loss	-20,941
Group funding contributions	2,610
Currency translation adjustment and other	-6,059
At December 31,2008	**67,567**
Net income / (loss) for the year	-8,000
Currency translation adjustment and other	20,620
Equity issue (equity for debt from NEC)	24,828
At December 31,2009	**105,015**

6.3 PAN GROUP

6.3.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Historical financial information in this section for the Pan Petroleum Holdings (Cyprus) Limited ("Pan Group") has been extracted without material adjustments from the Group's annual financial statements, is presented in US dollars and has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The accounting policies can be referred to in note 2 to the annual financial statements of Pan Group which have been incorporated by reference in this Prospectus, please see Section 16.2.

The selected information below may not contain all the information that is important to a potential investor of shares in the merged company. As a result, the information should be read in conjunction with the relevant financial statements and the notes to those statements which are incorporated by reference in this Prospectus, please see Section 16.2.

There have been no audit qualifications in connection with 2008 and 2009 financial statements of Pan-Petroleum. In 2008 and 2009 the auditors Ernst & Young Cyprus Limited draw attention to the note 1 to the financial statements concerning the Pan Group's ability to continue as a going concern due the circumstances present at the time of the audit report. The auditors drew attention to the following paragraph in their audit report:

"In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The circumstances explained in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern."

6.3.2 BASIS OF PREPARATION

The following tables present the historical data without material adjustments, extracted from annual financial statements of Pan Group as of 31 December 2008 and 2009. The basis of preparation of and presentation of this information is consistent with the accounting policies and policies by the Panoro Group in the annual financial statements.

Audited consolidated statement of comprehensive income (USD 000)

	01-Jan to 31-Dec 2009	***28-Feb to 31-Dec 2008***
Total revenue	-	-
Administrative expenses	-9,674	-8,267
Impairment of intangible E&E assets	-24,489	-
Operating loss	-34,163	-8,267
Expenses relating to acquisition of minority share of subsidiary	-2,873	-
Finance income	67	222
Finance cost	-22	-134
Foreign exchange gain	477	49
Loss on ordinary activities before taxation	-36,514	-8,130
Income tax expense	-729	-255
Loss for the period	-37,243	-8,385
Other comprehensive *loss*:		
Foreign exchange movement in the period	38	-66
Total comprehensive loss for the period	-37,205	-8,451
Total comprehensive loss attributable to:		
Equity holders	-37,205	-8,451
Total comprehensive loss for the period	-37,205	-8,451

Audited consolidated statement of financial position (USD 000)

	31-Dec 2009	31-Dec 2008
Non-current assets		
Property, plant and equipment	373	60
Intangible E&E Assets	140,730	148,864
	141,103	148,924
Current assets		
Cash and cash equivalents	13,976	14,726
Trade and other receivables	4,181	35,965
	18,157	50,691
Total assets	159,260	199,615
Current liabilities		
Trade and other payables	3,475	7,424
Tax payable	903	233
	4,378	7,657
Non-current liabilities		
Deferred tax liability	37	-
	37	-
Total liabilities	4,415	7,657
Equity		
Share capital	535	535
Share premium	184,557	184,465
Accumulated losses	-30,219	-8,385
Translation reserve	-28	-66
	154,845	176,549
Minority Interest	-	15,409
Total equity	154,845	191,958
Total liabilities and equity	159,260	199,615

Audited consolidated cash-flow statement (USD 000)

	01-Jan to 31-Dec 2009	28-Feb to 31-Dec 2008
Cash flows from operating activities		
Loss before tax	-36,514	-8,130
Adjustments for non cash flow items:		
Finance income/ (expense)	-45	-88
Foreign exchange	38	-66
Depreciation	135	11
Impairment	24,489	-
Gain on acquisition of subsidiary	2,873	-
Shares capital issued, in lieu of consultancy fees	92	-
Share capital issued, not yet paid	-	-863
Net change in non-cash operating working capital items:		
Trade and other receivables	-3,011	-
Trade and other payables	-6,843	7,423
Cash generated from operations	-18,786	-1,713
Interest paid	-22	-134
Income taxes paid	-2	-22
Net cash from operating expenses	-18,810	-1,869
Cash flows from investing activities		
Interest received	21	222
Purchase of property, plant and equipment	-448	-71
Purchase of exploration assets	-16,355	-49,632
Cash acquired	-	531
Net cash used in investing activities	-16,782	-48,950
Cash flows from financing activities		
Proceeds from issue of share capital	34,843	65,544
Net cash used in financing activities	34,843	65,544
Net increase in cash and cash equivalents	-750	14,726
Cash and cash equivalents at beginning of period	14,726	-
Cash and cash equivalents at end of period	13,976	14,726

Audited consolidated statement of changes in equity (USD 000)

	Share Capital	*Share Premium*	*Accumulated Losses*	*Translation Reserve*	*Shareholders' Equity*	*Minority Interest*	*Total Equity*
Balance at 28 February 2008	0	0	0	0	0	0	0
Capital contributions during the period	535	184,465	0	0	185,000	0	185,000
Minority share of acquisition of assets	0	0	0	0	0	15,409	15,409
Foreign exchange movement in the period	0	0	0	-66	-66	0	-66
Total loss for the period	0	0	-8,385	0	-8,385	0	-8,385
Balance at 31 December 2008	535	184,465	-8,385	-66	176,549	15,409	191,958
Capital contributions during the period	0	92	0	0	92	0	92
Minority share of acquisition of assets	0	0	15,409	0	15,409	-15,409	0
Foreign exchange movement in the period	0	0	0	38	38	0	38
Total loss for the period	0	0	-37,243	0	-37,243	0	-37,243
Balance at 31 December 2009	535	184,557	-30,219	-28	154,845	0	154,845

6.4 TREND INFORMATION AND SIGNIFICANT CHANGES TO PANORO ENERGY'S FINANCIAL POSITION SINCE 31 DECEMBER 2010

The Company operates predominantly in two business segments being the exploration and production of oil and gas and four geographical segments being Nigeria, Gabon, Congo and Brazil.

As of Q4 2010 the Company had production at the Manati field in Brazil only. Reference is made to section 8.1 "Management discussion and analysis", with regard to material developments up until 31 December 2010.

The Company and its partners are currently discussing an amendment to the existing gas contract at Manati to include all additional gas volumes in the field, beyond the 23 million cubic meters currently under the contract.

On January 24, 2011 the Company's reached agreement with Vanco Brasil Exploração e Produção de Petróleo e Gas Natural Ltda, a wholly owned Subsidiary of Vanco Overseas Energy Ltd ("Vanco") to farm out 35% of Panoro's 50% interest in its three shallow water exploration licenses SM-1035, SM-1036 and SM-1100 in the Santos Basin offshore Brazil. After this transaction, Panoro will retain 15% interest in these blocks. Under the same terms, Brasoil have also farmed out their 50% interest down to 15% to Vanco.

Vanco will assume Operatorship and hold a 70% working interest in the three licenses. Upon ANP approval, the Company will receive net proceeds of approximately USD 15 million, covering Panoro's historical costs on the licenses. Vanco will finance Panoro's share of drilling costs for three exploration wells, one on each license. Furthermore, Vanco will be entitled to recover the financed portion of successful wells and half the financed portion of unsuccessful wells from Panoro's share of future production from discoveries made on the licenses.

The transaction includes an option for the Company to increase working interest in the licenses to 20%, prior to commencement of drilling the first exploration well. In that event, Panoro will have to fund 5% of the past costs, work program costs and future drilling costs of the wells.

After the close of the Q4 2010, the Company raised gross NOK 550 million (~USD 95 million) in new equity in a private placement, directed at Norwegian and international institutional investors.

The share issue was oversubscribed at the top end of the range and the price in the book-building was set at NOK 7.80 per share. 70,500,000 shares will be issued following the private placement. The completion of the private placement is partially conditional upon the approval by an Extraordinary General Meeting in Panoro Energy.

The Board of Directors proposed to the Extraordinary General Meeting a subsequent offering of 6.5 million shares at a subscription price of NOK 7.80 per share (total proceeds up to NOK 50 million) directed towards Panoro shareholders as of 3 February, 2011 (as recorded in VPS on February 8, 2011) who were not allocated shares in the private placement, which was approved by the Extraordinary General Meeting.

Except for the significant developments described above, there has been no significant change in the financial or trading position of the Group since 31 December 2010.

The Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Company after 31 December 2010 and to the date of this Prospectus. The Company does not know of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.

6.5 SEGMENT INFORMATION

The Company currently sells all the natural gas and condensate (Manati field Brazil) to one buyer, Petrobras. An overview of the net sales is provided in the table below:

Year	Period	Revenue (USD 000)
2010(unaudited)	Full year	44,354
2009	Full year	34 650
2008	Full year	73 551
2007	Full year	46 621

The net sales for the Company for the years 2009, 2008 and 2007 have been extracted from the Norse Energy Corp. ASA Annual Reports – Brazil E&P segment figures for these years (see section 7 "Unaudited pro forma financial information". The 2010 figure corresponds to the revenue from the Manati producing field in Brazil as reported by Company and other income in the group in the unaudited interim consolidated financial statements for Q4 2010, as incorporated by reference in this Prospectus (see section 16.2 "Incorporated by Reference").

Since most of the natural gas reserves are found in association with oil, most of the proved natural gas reserves in Brazil are situated in offshore reservoirs. However, the distribution of natural gas reserves across the country does not follow the same pattern as the distribution of oil reserves. Oil reserves are concentrated in the south eastern region of the country, while natural gas reserves are concentrated primarily in the northern and north eastern regions, although there are considerable reserves in the Rio de Janeiro area. The growth of proved natural gas reserves in the São Paulo region between 2003 and 2004 was the result of a significant discovery in the Santos basin. Currently, the major part of natural gas produced in Brazil is from oil fields offshore, for which the infrastructure and transportation are costly. Increasing investments in infrastructure and discoveries of new non-associated natural gas fields will lead to the steady reduction of the natural gas volume that is flared or attributable to losses.

Upon the enactment of the Petroleum Law in 1997, exploration and production of oil and natural gas have been subject to free competition. Over the last 10 years there have been significant improvements in the market compared to the period when Petrobras had a monopoly over oil and natural gas reserves. Today there is significant competition in the oil and natural gas industry in the context of bidding rounds for the concession areas. Approximately, 70 national and international companies were qualified for the ninth bidding round, of which 19 were newcomers. Additionally, there is competition for the acquisition of interests as a partner in existing blocks.

International and local companies bid for concession areas under free competition. Brazil has adopted a clear and transparent regulatory framework for oil and natural gas investor's which allows equal treatment between small and large companies. Upon the consolidation of the sector, the offer of blocks from companies already holding concessions rights has increased.

Currently, there are more than 60 economic groups operating in the exploration and production sector in Brazil, among them large companies, independent companies and small local companies. Almost all the large international oil and natural gas companies operate in Brazil, particularly in the offshore basins. Petrobras is the largest investor in the oil and natural gas sector, has the most financial and technical resources available and has the most extensive experience in this sector.

On the other hand, the Brazilian government has implemented a regulatory environment that also permits small companies to operate in mature onshore basins. The oil and natural gas industry is cyclical and from time to time we face a lack of equipment, spare parts, insurance or services due to increased competition for these assets and services. During these periods, the costs and the delivery time for these assets and services, which are provided by third parties, increase. In light of the increase in the levels of exploration and production resulting from the high prices of oil and natural gas, the demand for assets and services in the oil industry increased over the last few years, and the costs of these assets and services, have also increased. Specifically, there is a lack of rigs for the drilling of deep oil wells in the international market, which may affect our operations.

In addition, there is a high concentration of companies and consequently a low level of competition in oil and natural gas transportation and marketing sector. This could impact our ability to obtain these services.

In this competitive environment, we and our subsidiaries are classified as independent companies, that is, companies not controlled by or associated with the largest agents in the industry, but who seek opportunities primarily in offshore basins, specifically in shallow water.

Operating Segments of Panoro Energy

The Company operated predominantly in two business segments being the exploration and production of oil and gas, which is split by geographic areas for management purposes and the two regions being West Africa and Brazil.

An overview of net sales by geographic area is provided in the table below (in USD 000):

USD 000	Gas	Oil	Total
Brazil			
2010 (unaudited)	44,103	-	44,103
2009	34,352	298	34,650
2008	37,410	36,141	73,551
2007	18,727	27,894	46,621
West Africa			
2010 (unaudited)	-	-	-
2009	-	-	-
2008	-	-	-
2007	-	-	-
Consolidated			
2010 (unaudited)	44,103	-	44,103
2009	34,352	298	34,650
2008	37,410	36,141	73,551
2007	18,727	27,894	46,621

The West African business was acquired on 29 June 2010 and did not have any oil and gas revenues, prior to or after the acquisition date, in any of the years presented.

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

- The West African segment holds the following assets:
  - The Dussafu licence representing the Company's 33.3% working interest in the Dussafu Marin exploration licence in Gabon.
  - The OML113 – Aje represents the Company's 12.5% profit interest in the OML113-Aje exploration licence in Nigeria.
  - The MKB Congo permit holds the Company's 20% working interest in MKB exploration licence in Republic of Congo.
- The Brazilian segment holds the following assets:
  - The BCAM-40 prospect holds the Company'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 Company'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.
  - Round 9 blocks represents Company's 15%[1] 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 subsidiary operates these blocks.
- The 'Other' category consists of head office and service company operations that are not directly attributable to the other segments.

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.

6.6 STATUTORY AUDITORS

6.6.1 Panoro Energy

The Company's auditor from 7 July 2010 is Ernst & Young, Dronning Eufemias gate 6, P.O. Box 20, NO-0051 Oslo, Norway. Ernst & Young is a member of the Norwegian Institute of Public Accountants (Den Norske Revisorforening). Their address is Dronning Eufemias gate 6, Oslo Atrium, P.O. Box 20, NO-0051 Oslo, Norway.

Ernst & Young AS has issued an Independent Assurance report on the unaudited pro forma condensed financial information included as Appendix 3. Ernst & Young AS has not audited, reviewed or produced any report on any other information provided in this Prospectus.

From incorporation 28 April 2009 until 7 January 2010 Kjelstrup & Wiggen AS, Henrik Ibsens gate 20, 0255 Oslo was the auditor for the Company. Kjelstrup & Wiggen AS is a member of the Norwegian Institute of Public Accountants (Den Norske Revisorforeningen).

From 7 January 2010 to 7 July 2010 Deloitte AS, Karenslyst allé 20, 0278 Oslo, was the auditor for the Company. Deloitte AS is a member of the Norwegian Auditor Association (Den Norske Revisorforening).

The resignation of previous auditors and appointment of Ernst & Young was not driven by any disagreements between the Company and its auditors.

[1] Panoro currently holds 50% ownership, after recent announced farm-out agreement, ownership is reduced to 15%, subject to ANP approval. For further information, please refer to Section 10.5.1

The financial figures presented for the Group for the year ended 31 December 2010 are unaudited.

6.6.2 Brazil Group

Deloitte has been the auditor of Norse Energy for 2008 and 2009. Ernst & Young was the auditor of Norse Energy for 2007. Ernst & Young is a member of the Norwegian Auditor Association (Den Norske Revisorforeningen).

6.6.3 Pan Group

Since inception of the Pan Group in 2008, Ernst & Young Cyprus Limited has been the Pan Group's auditors for the periods ended 31 December 2008 and 2009.

7. UNAUDITED PRO FORMA FINANCIAL INFORMATION

7.1 PURPOSE OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma condensed financial information has been prepared in connection with the shares issued in the Private Placement and Subsequent offering and listing of additional shares in connection with the Subsequent Offering of Panoro Energy ASA on Oslo Børs (Oslo Stock Exchange) to comply with the Norwegian Securities Trading Act and the applicable EU-regulations pursuant to section 7-7 of the Norwegian Securities Trading Act. This information is not in compliance with SEC Regulation S-X, and had the securities been registered under the U.S: Securities Act of 1933, this unaudited pro forma financial information, including the report by the auditor, would have been amended and / or removed from the offering document.

At an extraordinary general meeting of the Company on 26 April 2010, a merger between the Company and Pan-Petroleum Holding AS (“Pan Holding”) was approved (the “Pan Merger”). The Pan Merger was completed on 29 June 2010 with Pan Holding as the assigning entity and Panoro Energy ASA as the acquiring entity.

The unaudited pro forma financial information presented below has been prepared for illustrative purposes only to show how the Pan Merger would have impacted Panoro Energy ASA if it had occurred on 1 January 2010 for the purpose of the unaudited pro forma condensed income statement for the year ended 31 December 2010.

As the Pan Merger that was completed as of 29 June 2010 is fully reflected in the unaudited Statement of Financial Position as of 31 December 2010 no pro forma statement of position has been prepared.

Regarding pro forma condensed financial information issued in connection with the merger between Brazil Group and Pan Group for the period 2Q 2010 and 2009, this has been incorporated by reference, please see section 16.2 “Incorporated by Reference” in this Prospectus.

7.1.1 Basis of preparation

The unaudited pro forma condensed income statement for the year ended 31 December 2010 has been prepared based on the unaudited consolidated condensed income statement of Panoro Energy ASA for the year ended 31 December 2010 as presented in the unaudited condensed consolidated financial statements for Q4 2010 as incorporated by reference in this Prospectus (see section 16.2 “Incorporated by Reference”).

The unaudited pro forma financial information has been compiled using accounting policies consistent with IFRS as adopted by EU (IFRS). The unaudited pro forma financial information has been prepared using accounting policies consistent with Panoro Energy ASA’s 2Q 2010 unaudited interim condensed consolidated financial statements which is incorporated by reference in this Prospectus (see section 16.2 “Incorporated by Reference”).The unaudited pro forma financial information includes unaudited pro forma condensed income statement and descriptions and notes to the unaudited pro forma financial information, but does not include statements of position, changes in equity and cash flows or disclosures in notes to the accounts that would be required to be a complete set of financial statements in accordance with IFRS and should be read in conjunction with the Q4 2010 Quarterly reports for the combined Company and the annual financial statements of Pan Group and Norse Energy Corporation, as incorporated by reference (see section 16.2 incorporated by reference).

Information for Panoro Energy ASA pre-merger results has been prepared in accordance with IFRS using the principles and policies as disclosed in the Q4 2010 quarterly report of Panoro Energy for the twelve months ended 31 December 2010. These statements are incorporated by reference in this Prospectus (see section 16.2 “Incorporated by Reference”).

7.1.2 Accounting for the Merger

As per the requirements of IFRS, the Company (Panoro Energy ASA) is the legal acquiring party in the Merger.

For the purpose of the Q4 2010 financial statements the merger of Pan Group is concluded to qualify as a business combination as defined in IFRS 3. For accounting purposes the net assets of the acquiree have been included with at fair value from the date of acquisition. It has been concluded that the Company is the acquirer for IFRS accounting purposes.

A provisional Purchase Price Allocation has been prepared identifying Pan Group's assets, liabilities and contingent liabilities and necessary adjustments are being made to the Group's statement of financial position. The carrying values of net assets of the acquirer are not affected.
Any excess values identified will have no impact on the pro forma income statement since none of the assets in Pan Group were producing as of 30 June 2010.

IFRS 3 allows changes to the provisional fair values within one year from the acquisition date, provided that the changes are a result of acquirer obtaining additional information about uncertainties that existed at the acquisition date. These changes are recognised as adjustments against the original accounting for acquisition.

The preliminary fair value allocation of Pan Group has resulted in the following:

	Fair Value USD 000
Non-current assets	
Property, plant and equipment	299
Intangible licence and exploration asset	89,691
	89,990
Current assets	
Cash and cash equivalents	4,304
Trade and other receivables	1,877
	6,181
Total assets	**96,171**
Current liabilities	
Trade and other payables	17,836
Tax payable	55
Provision	4,351
Deferred tax liability	8,533
Total Liabilities	**30,775**
Net assets	**65,396**
Purchase consideration	63,067
Gain on acquisition of subsidiary	**2,329**

7.1.3 Uniform and consistent accounting policies

Both Panoro Energy ASA and Pan Group were reporting in accordance with IFRS. Preliminary analyses have been performed to identify any differences in the application of IFRS. Different accounting practice has been identified related to the application of IFRS 6 - Exploration for and Evaluation of Mineral Resources - both in compliance with the standard. This has been adjusted for in the unaudited pro forma income statement (see note 1).

As regards description of accounting policies and disclosures, reference is made to information disclosed in notes to the interim condensed consolidated financial statements of the Panoro Energy ASA included in Q4 2010 report as incorporated by reference in this Prospectus (see section 16.2 "Incorporated by Reference").

7.1.4 Limitations

Because of its nature, the unaudited pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results. Investors are cautioned not to place reliance on this unaudited pro forma financial information. The unaudited pro forma financial information is given to comply with the Norwegian Securities Trading Act and the applicable EU regulations pursuant to section 7-7 of the Norwegian Securities Trading Act and for no other purpose. This information is not in compliance with SEC Regulation S-X, and had the securities been registered under the U.S: Securities Act of 1933, this unaudited pro forma financial information, including the report by the auditor, would have been amended and / or removed from the offering document.

7.1.5 Unaudited pro forma condensed income statement for the year ended 31 December 2010

INCOME STATEMENT	The Panoro Group unaudited	The Pan Group unaudited 01.01 to 30.06	Alignment of accounting policies	NEC -01 loan interest	Pro forma unaudited
Amount in USD 000	**2010**	**2010**	**Unaudited**		**2010**
			Note 1	**Note 2**	
OPERATING REVENUE AND EXPENSES					
Oil and Gas revenue	44,103	-	-	-	44,103
Other income	251	527	-	-	778
Total revenues and other income	***44,354***	***527***	***-***	***-***	***44,881***
Production costs	(5,160)	-	-	-	(5,160)
Exploration and dry-hole costs	(4,811)	-	(4,329)	-	(9,140)
General and administrative costs	(13,006)	(4,552)	-	-	(17,558)
Share-based payments	(565)	(4,206)	-	-	(4,771)
Merger and restructuring costs	(6,217)	(1,202)	-	-	(7,419)
EBITDA	***14,595***	***(9,433)***	***(4,329)***	***-***	***833***
Depreciation	(8,491)	(83)	-	-	(8,574)
Impairment	(1,685)	-	-		(1,685)
EBIT - Operating income / (loss)	***4,419***	***(9,516)***	***(4,329)***	***-***	***(9,426)***
Gain on acquisition of subsidiary	2,329	-	-	-	2,329
Net finance income / (costs)	(24,845)	(252)	-	(435)	(25,532)
Net foreign exchange gain / (loss)	(1,160)	(155)	-	-	(1,315)
Warrants effect - gain/(loss)	(1,154)	-	-	-	(1,154)
Income / loss before tax	***(20,411)***	***(9,923)***	***(4,329)***	***(435)***	***(35,098)***
Income tax expense / (benefit)	(5,254)	(56)	-	-	(5,310)
Net income / (loss) for the period	***(15,157)***	***(9,867)***	***(4,329)***	***(435)***	***(29,788)***

Unaudited notes to the unaudited pro forma condensed income statements and pro forma adjustments to the unaudited pro forma financial information.

All amounts in this section are presented in USD 000 unless otherwise specified.

Note 1 Alignment of accounting policies – Exploration costs

As per the requirements of IFRS6 – Exploration for- and evaluation of Mineral Resources – different accounting policies are accepted regarding accounting treatment of Exploration costs. Certain exploration costs prior to production may be capitalized or charged as an expense.

The policy for Panoro Energy (including Brazil) as disclosed in the 4Q and 2Q 2010 interim financial statements has been to charge exploration costs to the income statement except for drilling costs which are capitalised, but charged as an expense if the well is proven dry. In the Pan Group all exploration costs have been capitalised. As a result, adjustments have been made to the 2010 unaudited pro forma income statement for the period 1 January to 30 June 2010 to ensure consistency of accounting policy across the Merged entity thereby charging non-well related cost of USD 4,329 thousand as an expense.

This adjustment has continuing impact.

Note 2 NEC 01 loan interest

The NEC 01 loan was renegotiated with bondholders, who approved a restructuring proposal in December 2009 at market terms. The demerger of Norse Energy was a prerequisite for the bond loan restructuring and the bond loan restructuring was necessary in order to secure the merger. The loan cost has been pro forma adjusted accordingly to reflect a situation as if the re-structuring was effective as of 1 January 2010.

The interest expense under the original terms is included in the Q4 2010 Quarterly report for the combined company. The pro forma represents the effect of the renegotiated terms (effective interest calculated at 14.5%) on Panoro Energy's interest expense for the period 1 January to 30 June 2010.

The adjustments also take into account the fact that, under the bond loan restructuring agreement, NOK 43 million was payable in July after the merger was effective. As a result, an adjustment has also been made to the annual interest charge to reflect the effects of this repayment. For the purpose of pro forma adjustments it has been assumed that the amount repaid at 1 January 2010.

(unaudited)	**NOK**	**Ex rate**	**USD**
NEC 1 on issue	- 286,500,00		
NEC 01 controlled by Panoro	5,000,000		
Repayment	43,000,000		
Capitalised transaction cost	5,980,000		
Net interest base	- 232,520,000		
Effective interest (including amortisation)	14.5%		
180 days interest and amortisation expense	- 16,857,700	6.22	- 2,708,784
Less 30 June 2010 YTD interest and amortization included in actuals	14,153,196	6.22	2,274,210
Pro forma adjustment	- 2,704,504		-434,574

This adjustment will not have continuing impact.

Note 3 Tax effects of pro forma adjustments

The Company is not in a taxable position as per the unaudited pro forma income statements of 4Q 2010 and therefore no further adjustments in relation to tax are necessary.

8. OPERATING AND FINANCIAL REVIEW

The holding company Panoro Energy ASA (established April 28, 2009) was acquired by Norse Energy in December 2009. The legal entity had no operations or activity in 2009. With effect from the time of the demerger from Norse Energy on June 7, 2010 the entity fulfils the role as holding company with part of the finance function being based in Norway and employed by the Company.

Since the activity in Panoro Energy ASA is limited the discussion in the following section is focusing on the Company, i.e. including Panoro Energy ASA's consolidated subsidiaries. The interim financial statements of Panoro Energy is incorporated by reference, see section 16.2 "Incorporated by Reference" in this Prospectus.

The following discussion of the financial condition and results of operations should be read in conjunction with the financial statements included in this Prospectus. The following discussion may contain forward-looking statements that are based on current assumptions and estimates by Panoro Energy's management regarding future events and circumstances. Panoro Energy's actual results could differ materially from those expressed or implied by the forward-looking statements as a result of many factors, including those described in Section 2 "Risk factors". The selected historical consolidated financial data for Panoro Energy discussed in this section is based on the unaudited financial information as presented in the interim condensed consolidated financial statements of the Company for the twelve months ended 31 December 2010.

8.1 THE PERIOD ENDED 31 DECEMBER 2010

8.1.1 Management's discussions and analysis of financial conditions and results of operations Q4 2010 vs Q4 2009

EBITDA for the fourth quarter of 2010 was positive USD 5.3 million, down from USD 7.9 million in the fourth quarter 2009. Production costs increased in the fourth quarter, mainly due to some maintenance expenditure on the Manati field and some higher general and administration expenses were recorded in the quarter due to annual staff bonuses, periodization of costs and legal costs related to the bond refinancing. The Company also recognized a share based payments charge of USD 0.4 million, reflecting the proportionate fair value of options granted to employees and management during the quarter.

An increase of 12% in gas revenues for the the fourth quarter 2010 in comparison to the fourth quarter of 2009 was a direct result of an increase in sales and production volumes.

Production costs for the fourth quarter 2010 of USD 1.8 million increased by USD 0.6 million compared to the fourth quarter 2009, associated with inspection and maintenance on the Manati field. General and administrative cost increased by USD 1.5 million to USD 4.7 million.

Depreciation has increased by USD 0.7 million to USD 2.4 million in comparison to the fourth quarter 2009 in line with increasing production volumes.

Impairment has increased to USD 1.7 million in Q4 2010 compared to USD 1.2 million in the fourth quarter of 2009. The charge for the current quarter represents the expense of capitalised costs in relation of Sardinha.

Loss before tax was USD 10.9 million in the fourth quarter compared a loss before tax of USD 4.4 million in the fourth quarter 2009. The fourth quarter 2010 loss includes positive net effects of foreign exchange items of USD 0.1 million, net finance costs of USD 11.0 million, and a negative non-cash effect of USD 0.7 million for the Company's warrants for the quarter. The considerable increase in net finance costs during the quarter primarily relates to a redemption premium on early repayment of NEC-01 and Brazilian debts, and expensing of the debt issue costs.

Financial Charges increased significantly compared to fourth quarter 2009 primarily because of the full repayment of Brazilian debts and early redemption of NEC01 bond. The main components of financial costs were as follows and comprised in most cases one-off costs:

a) The remaining debt issue costs capitalised on refinancing of NEC01 (USD 0.6 million) and (USD 2.9 million) on debt in Brazil was written off.

b) Early redemption call premium of four percent amount to USD 1.5 million was paid to the NEC01 bond holders on refinancing. In addition early repayment charges in Brazil amounted to USD 0.5 million.

c) Net Interest expense for the period was a combination of the NEC01 bond and Brazilian loans to the date of full repayment and interest on new callable bond in the 4Q. The total net interest costs stood at USD 4.1 million for 4Q compared to USD3.8 million which has primarily increased due to an overlap period between the receipt of funds for the new bond and the final settlement of the Brazilian debt and NEC01 bond.

The Company recognized an Income tax benefit of USD 5.7 million in the fourth quarter, compared to a tax charge of USD 0.7 million in the fourth quarter 2009. The sequential change mainly reflects an increase in deferred tax assets for the period. In total this leads to a net loss for the fourth quarter 2010 of USD 5.3 million compared to a loss of USD 5.1 million in the fourth quarter 2009.

8.1.2 Management's discussions and analysis of financial conditions and results of operations 2010 vs 2009

For the full year 2010, EBITDA was USD 15.1 million, an increase from USD 9.1 million in 2009. The increase mainly reflects 21% higher production volumes and a USD 10 million reduction in exploration related costs. This was partly offset by one-off costs of USD 6.2 million related to the spin-off from Norse Energy Corp. ASA and the merger with Pan-Petroleum. General and administrative costs increased USD 5.8 million to USD 13.0 million, including the post-merger losses of the Pan-Petroleum subsidiaries.

EBIT was USD 4.4 million for the full year, compared to a negative EBIT of 10.9 million in 2009. Depreciation increased by 32% to USD 8.4 million, primarily reflecting higher production, exchange fluctuations and a minor impact of reserve estimate revisions.

On an annual basis, the Company reports a loss before tax of USD 20.4 million, compared to an income before tax of USD 8.8 million. Net interest costs amounted to USD 24.8 million, compared to USD 13.3 million in the same period last year, with the increase explained by higher interest charges on Brazilian external loans prior to restructuring, interest on the NEC01 bond, and expensing of issue cost and premium on early redemption of the NEC-01 bond and Brazilian loans. Net foreign exchange effects were a negative USD 1.1 million for the year, compared to a positive effect of USD 33.0 million in the prior year. This was primarily due to BRL gaining significant strength during the year over USD. The 2010 results include a USD 2.3 million 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 was recognised as income in accordance with IFRS 3 in the second quarter 2010.

Income tax mainly pertains to Brazilian operations and the tax benefit of USD 5.2 million for 2010 compares to a tax charge of USD 4.7 million in 2009. The net loss for the full year was USD 15.2 million. This compares to a net income of USD 4.1 million in 2009, explained by large foreign exchange gains and lower finance costs in 2009.

Exchange gain and loss arising from the translation of foreign operations declined from USD 20.6 million in 2009 to USD 8.4 million in 2010 mainly due to translation differences in BRL denominated balances at period ends. The 2009 year end comprised debt balances denominated in BRL which are no longer present in 2010.

8.1.3 Management's discussions of financial position 2010 vs 2009

Non-Current assets

Licences and exploration assets increased to USD 191 million from USD 123 million during 2010, primarily due the merger with Pan-Petroleum. The fair value of the acquired assets amounted to USD 60 million. The change also comprised additions during the period mainly in relation to drilling and testing activities in Congo.

Production assets and equipment in the Manati field declined slightly over the year due to the effects of depreciation, depletion and amortisation. However, the effect of the depletion, depreciation and amortisation was largely offset by additions during the period and foreign exchange movements from translations at the balance sheet date.

Property, furniture, fixtures and equipment declined by USD 1.4 million year-on-year, mainly due to a sale of property in Brazil.

Deferred tax assets increased by USD 7.6 million from USD 24 million at December 31, 2009, mainly due recognition of realisable tax losses in Brazil.

Other non-current assets primarily consist of deposits, which did not change significantly from the prior period.

Current assets

Trade and other receivables of USD 22.7 million increased from USD 14.9 million in 2009, mainly due to two months of trade receivables from Manati outstanding at period end. These were collected immediately subsequent to year end. Composition of trade and other receivables includes USD 11 million of trade receivables, USD 7 million of Brazilian tax credits, and the remaining balance of USD 4.7 million of prepayments and un-utilised portion of cash calls paid in the joint ventures.

Cash and bank balances increased significantly by USD 48 million, mainly due to an equity issue at the time of merger and de-merger of USD 54 million and collection of USD 30 million proceeds from the sale of the OML 90 Ajapa marginal field during Q4-10. These major inflows were partly offset by operating expenses and cash calls.

Equity and Non-controlling interest

Share capital and other equity has increased considerably after the merger, due to fresh injection of capital in the form of cash and issue of consideration shares to execute the de-merger with Norse Energy Corporation and merger with Pan-Petroleum.

Non-controlling interest represents Sector Asset Management's share in prior year (30%) in Norse Energy do Brazil, which is considered as the Group financial statements comparatives in line with the requirements of International Financial Reporting Standards. The Company's status has changed to an independent entity after the de-merger and the non-controlling interest was therefore adjusted with the rest of the equity balance at the time of de-merger.

Non-Current liabilities

At December 31, 2010, interest bearing debt represented in total USD 137.9 million of outstanding Callable bond (net of costs) issued in Q4-10. This bond restructured the entire group debts in one instrument. The USD 136.3 million long-term portion of the bond represent principal repayments due after 2011. In comparison, all external debts in Brazil and loan due to NEC were current liabilities per December 31, 2009.

Deferred tax liabilities of USD 8.5 million arose on the accounting for acquisition of Pan-Petroleum, and is a primarily the tax effect of the amount representing excess of fair value of the acquired assets over the tax base of the acquired assets.

Other long term-liabilities at December 31, 2010 comprise provision for decommissioning of USD 12.6 million, USD 5 million of licence-related liabilities in Brazil, and USD 3.4 million in liability due to Prevail Energy Corporation stakeholders which will be satisfied through issue of shares when certain operational milestones on the MKB project are achieved. The balance in entirety remained consistent with 2009.

Current liabilities

Short-term interest bearing debt at December 31, 2010 represents USD 1.6 million of accrued interest on the Callable bond. In comparison, the 2009 amount represented loans due in Brazil and USD 57.6 million of loan payable to NEC. The NEC loan was designated to Panoro as part of the de-merger in 2010 and therefore been eliminated on consolidation.

Liabilities related to warrants of USD 1.2 million represents the fair value of warrants in issue as of yearend. The warrants expire in July 2011. In 2009 there were no warrants in issue.

Accounts payable, accruals and other liabilities decreased by USD 5 million compared to 2009. This is mainly due to different composition of liabilities after acquisition of Pan-Petroleum.

8.1.4 Management's discussions and analysis of financial conditions, results of operations and financial position 2009, 2008 and 2007

Regarding management's discussions and analysis of financial conditions, results of operations and financial position for the Brazil Group for the financial years 2009, 2008 and 2007 reference is made to section 16.2 "Incorporated by Reference" in this Prospectus.

Regarding management's discussions and analysis of financial conditions, results of operations and financial position for the Pan Group for the financial years 2009 and 2008 reference is made to section 16.2 "Incorporated by Reference" in this Prospectus.

9. CAPITAL RESOURCES

Panoro Energy obtains its sources of funding from a mix of equity, bank debt, bonds and sale/farm-out of assets.

In November 2010, the Company completed a USD 140 million bond issue (“New Bond”). The New Bond replaced the previous Brazilian bank debt of approximately BRL 142 million and the NEC01 bond debt of NOK 244 million, totalling approximately USD 125 million, and added gross USD 15 million for general corporate purposes. The new 1st lien bond has, inter alia, security ring-fenced to the Company's 10% interest in Manati, Brazil's largest non-associated gas field in production.

With the completion of the New Bond, Panoro Energy successfully refinanced all outstanding interest bearing debt. The transaction gave about USD 80 million in improved financial flexibility over the next two years, through lower amortization and interest costs, an end to the cash sweep in Brazil, and excess funds from the bond issuance.

The New Bond is split in two tranches, one USD tranche of USD 105 million and one NOK tranche of NOK 205 million, in total equalling USD 140 million. The New Bond has a tenor of eight years with annual instalments of USD 14 million from November 2012 until November 2017. The remaining USD 56 million (“bullet”) matures in November 2018.

In January 2010, the Company reached an agreement to farm out 35%-points of its 50% interest in exploration licences SM-1035, SM-1036 and SM-1100 in Brazil to Vanco. Upon ANP approval, the Company will receive net proceeds of approximately USD 15 million, covering Panoro's historical costs on the licenses. Vanco will further finance Panoro's share of drilling costs for three exploration wells, one on each license.

On February 4, 2011, Panoro Energy raised gross NOK 550 million (~USD 95 million) in new equity in a private placement, directed at Norwegian and international institutional investors. The share issue was oversubscribed at the top end of the range and the price in the book-building was set at NOK 7.80 per share. 70,500,000 shares will be issued following the private placement, and potentially with a NOK 50 million subsequent follow up repair issue.

With a long term projected cash flow from the Manati field coupled with recent capitalization processes, Panoro Energy is very confident about securing its long term financial commitments. In addition Panoro Energy intends to continue to optimize its asset portfolio through divestiture as well as acquisitions in line with its activity level.

The USD tranche carries a coupon rate of 12% and the NOK tranche a coupon rate of 13.5%. The Company has no other debt and the book equity ratio as of 31 December 2010 is 53.2%. The Company’s treasury policy is to place any excess liquidity in cash or cash equivalents.

There are no limitations on transferring cash between the Group subsidiaries and the Company.

9.1 CASH FLOWS

The table below is derived from the combined unaudited consolidated historical information as presented in Section 6.1.3 above (USD 000).

Unaudited Consolidated Cash flow Statements (USD 000)

Q4 2009 (Unaudited)	Q4 2010 (Unaudited)	*Amounts in USD 000*	Dec 31, 2010 (Unaudited)	Dec 31, 2009 (Unaudited)
		CASH FLOWS FROM OPERATING ACTIVITIES		
(4,420)	(10,997)	Net income / (loss) for the period before tax	(20,411)	8,819
		Adjusted for:		
1,721	2,390	Depreciation	8,491	6,423
-	706	Market adjustments for warrant effects	1,154	-
-	(25)	Non-cash dry-hole and exploration related costs	4,811	7,300
1,179	1,685	Impairment	1,685	13,679
-	-	Gain on sale of property	(251)	-
5,389	11,064	Net finance costs	24,845	13,347
-	459	Share based payments	565	-
-	-	Gain on acquisition of subsidiary	(2,329)	(33,075)
4,051	1,247	Foreign Exchange Gains/losses	1,160	-
(343)	(5,236)	Working Capital Movements	(15,225)	(22,699)
7,577	**1,293**	**Net cash flows from operating activities**	**4,495**	**(6,206)**
		CASH FLOWS FROM INVESTING ACTIVITIES		
(6,026)	(4,338)	Investment in Exploration, production and other assets	(8,607)	(16,107)
-	30,000	Proceeds from sale of property and assets held for sale	31,421	-
-	-	Net cash acquired at acquisitions	4,304	-
(6,026)	**25,662**	**Net cash flows from investing activities**	**27,118**	**(16,107)**
		CASH FLOWS FROM FINANCING ACTIVITIES		
-	-	Net proceeds from issuance of shares	54,851	30,000
(1,041)	(9,450)	Net interests paid	(28,006)	(5,883)
6,438	136,365	Proceeds from debt issue	136,365	12,438
(2,460)	(121,536)	Repayments of borrowings	(143,977)	(12,416)
2,937	**5,379**	**Net cash flows from financing activities**	**19,233**	**24,139**
4,488	32,334	**Change in cash and cash equivalents during the period**	50,846	1,826
4,935	27,935	Cash and cash equivalents at the beginning of the period	9,423	7,597
9,423	**60,269**	**Cash and cash equivalents at the end of the period**	**60,269**	**9,423**
3,682	1,444	Restricted cash	1,444	3,682
13,105	**61,713**	**Cash and bank balances at the end of the period**	**61,713**	**13,105**

9.1.1 Management's discussions and analysis cash flows Q4 2010 vs Q4 2009

Operating cash flow for Q4 2010 were USD 1.3 million inflow compared to USD 7.3 million inflow for Q4 2009. This is driven primarily by an increase in general and administrative costs of USD 2.7 million in Q4 2010 compared to Q4 2009 and USD 0.6 million higher production costs. This was offset by an increase in revenues of USD 1.3 million in Q4 2010 compared to Q4 2009; a direct result of an increase in sales and volumes. Operating cash flows are further decreased by USD 5.2 million caused by changes in working capital compared to a decrease of USD 0.4 million in Q4 2009.

Investing cash flows were USD 25.6 million inflow for Q4 2010 compared to USD 6 million outflow for Q4 2009. The increase is due to USD 30 million proceeds from the sale of the OML 90 Ajapa marginal field. Investment expenditure in exploration, production and other assets were USD 1.7 million higher in Q4 2009 compared to Q4 2010.

The increase in net interest paid in Q4 2010 compared to Q4 2009 primarily relates to a redemption premium on early repayment of NEC-01 and Brazilian debts, and expensing of the debt issue costs.

Proceeds from debt issue were USD 136.4 million in Q4 2010, an increase of USD 130 million compared to Q4 2009 due to the issue of a callable bond.

Repayments of borrowing in Q4 2010 were USD 119 million higher than Q4 2009. This was due to the repayment of loans due in Brazil and the NEC 01 bond.

At the end of the period, the Company held cash and cash equivalents of USD 61.7 million, compared to USD 13.1 million at the end of 2009.

The Group's available funds during 2010 were cash and cash equivalents held by the Group. During 2009 the Group's available funds were cash and cash equivalents, and local loans.

9.1.2 Management's discussions and analysis of cash flows 2010 vs 2009

Net cash flows from operating activities for 2010 were inflows of USD 4.5 million for 2010 compared to outflows of USD 6.2 million for 2009. This was primarily driven by an increase in revenues of USD 9.3 million due to increased sales and volumes. The effect was offset slightly by cost increases in the year due to merger and restructuring costs, and higher general and administration costs. Working capital movements in 2010 have resulted in a USD 7.5 million decrease in cash outflows compared to 2009.

Net cash flows from financing activities for 2010 were inflows of USD 27.1 million compared to outflows of USD 16.1 million for 2009. The increase is due to USD 30 million proceeds from the sale of the OML 90 Ajapa marginal field and USD 1.4 proceeds for the sale of Brazilian property. In addition USD 4.3 million cash was acquired as part of the merger with Pan Petroleum in 2010. A decrease in expenditure on assets, exploration and productions of USD 7.5 million compared to 2009 reduced outflows of cash in the year.

Net proceeds from the issuance of shares was USD 54.9 million in 2010, compared to USD 30 million in 2009, due to due to a fresh injection of capital in the form of cash and issue of consideration shares to execute the de-merger with Norse Energy Corporation and merger with Pan-Petroleum.

Net interest paid amounted to USD 28 million, compared to USD 5.9 million in the same period last year, with the increase explained by higher interest charges on Brazilian external loans prior to restructuring, interest on the NEC01 bond, and expensing of issue cost and premium on early redemption of the NEC-01 bond and Brazilian loans.

Proceeds from financial liabilities have increased to USD 136.4 million in 2010 compared to USD 12.4 million in 2009, due to the issue of a callable bond in 2010. The proceeds from this issue were used to repay loans due in Brazil and the NEC 01 bond resulting in financial liabilities of USD 144 million being repaid in the year.

At the end of the period, the Company held cash and cash equivalents of USD 61.7 million, compared to USD 13.1 million at the end of 2009.

The Group's available funds during 2010 were cash and cash equivalents held by the Group. During 2009 the Group's available funds were cash and cash equivalents, and local loans.

9.1.3 Management's discussions and analysis cash flows 2009, 2008 and 2007

Regarding management's discussions and analysis of cash flows for the Brazil Group for the financial years 2009, 2008 and 2007 reference is made to section 16.2 "Incorporated by Reference" in this Prospectus.

Regarding management's discussions and analysis of cash flows for the Pan Group for the financial years 2009 and 2008 reference is made to section 16.2 "Incorporated by Reference" in this Prospectus.

9.2 WORKING CAPITAL STATEMENT

In the opinion of the Company, its working capital is sufficient to cover the Group's present requirements, that is, for a period of at least 12 months from the date of this Prospectus.

9.3 CAPITALISATION AND INDEBTEDNESS

The following table shows the actual capitalisation and indebtedness as per 31 December 2010 (USD 000) of Panoro Energy. The numbers for the Company as of 31 December 2010 are unaudited and have been derived from the unaudited consolidated financial statements. The compilation of the capitalization and indebtedness table as such is unaudited.

Amounts in USD 000 (unaudited)	**Panoro Group 31.12.2010**	**Adjustments**		**Adjusted Panoro Group**
Total capitalization				
A. Share capital	38,141	16,401	*(i)*	54,542
B. Legal reserve	0	0		0
C. Other reserves	184,133	78,599		262,732
D. Total equity (A+B+C)	222,274	95,000		317,274
E. Long-term debt guaranteed	0	0		0
F. Long-term debt secured	136,365	0		136,365
G. Long-term debt (unguaranteed/unsecured)	0	0		0
H. Total long-term debt (E+F+G)	136,365	0		136,365
I. Current debt guaranteed	0	0		0
J. Current debt secured	1,614	0		1,614
K. Current debt (unguaranteed/unsecured)	0	0		0
L. Total current debt (I+J+K)	1,614	0		1,614
N.Total capitalization (D+H+L)	360,253	95,000		455,253
Net indebtedness				
A. Cash	61,713	95,000	*(ii)*	156,713
B. Cash equivalent	0	0		0
C. Trading securities	0	0		0
D. Liquidity (A+ B+C)	61,713	95,000		156,713
E. Current financial receivable	0	15,000	*(i)*	15,000
F. Current bank debt	0	0		0
G. Current portion of non current debt	1,614	0		1,614
H. Other current financial debt	0	0		0
I. Current financial debt (F+G+H)	1,614	0		1,614
J. Net current financial indebtedness(I-E-D)	-60,099	-110,000		-170,099
K. Non current bank loans	0	0		0
L. Bond issued	136,365	0		136,365
M. Other non current loans	0	0		0
N. Non current financial indebtedness (K+L+M)	136,365	0		136,365
O. Net financial indebtedness (J+N)	76,266	-110,000		-33,734

Material changes in capitalization and indebtedness since 31 December 2010

Since 31 December 2010 and up to the date of this Prospectus, the following significant changes in capitalization and indebtedness have occurred which have been reflected adjustments in the above table.

(i) Farm down on Round 9 licenses

On 24 January 2011, the Company reached an agreement to farm out 35% of the Company's 50% interest in its three shallow water exploration licenses SM-1035, SM-1036 and SM-1100 in the Santos Basin offshore Brazil to Vanco Overseas Energy Ltd ("Vanco"). After this transaction, Panoro Energy will, through its Brazilian subsidiary, retain a 15% working interest in the licenses. Upon ANP approval, the Company will receive net proceeds of approximately USD 15 million, covering the Company's historical costs on the licenses. Vanco will finance the Company's share of drilling costs for three exploration wells, one on each license. Furthermore, Vanco will be entitled to recover the financed portion of successful wells and half the financed portion of unsuccessful wells from Panoro's share of future production from discoveries made on the licenses. However, since the funds have not been received to the date of this prospectus and subject to ANP approval of the transfer of interest in the name of Vanco, the amount has been included as a financial receivable in the table above.

(ii) Successful completion of NOK 550 million equity issue

On 4 February 2011 the Company announced a successful private placement of 75,000,000 shares directed towards existing shareholders, Norwegian and international institutional and private investors after the close of Oslo Børs on 3 February 2011. The placement was done at a share price of NOK 7.80 per share, and the share capital increase represents approximately 43.0 per cent of existing outstanding shares. The gross proceeds from the private placement are approximately NOK 550 million. The completion of the private placement was partially conditional upon the approval by the general meeting.

Except for the significant developments described above, there has been no significant change in the financial or trading position of the Group since 31 December 2010.

There are no indirect or contingent indebtedness as 31 December, 2010 and to the date of this prospectus.

9.4 BORROWINGS

The table below shows a statement of net indebtedness for Panoro Energy in the short term and the long term as of 31 December 2010 (USD million):

31 December, 2010			
(Unaudited)	Short-term	Long-term	Total
Norway			
NOK denominated loans	0.5	34.3	34.8
USD denominated loans	1.1	102.1	103.2
Total	1.6	136.4	138.0
Cash and cash equivalents			61.7
Net interest bearing debt			76.3

The maturity profile of the loan balances are tabled below:

Amounts in USD million	Loan balance as of 31 December 2010				
(Unaudited)	2011	2012	2013	> 2014	Total
Norway					
NOK denominated loan	0.5	3.4	3.4	27.5	34.8
USD denominated loan	1.1	10.0	10.0	82.1	103.2
Total	1.6	13.4	13.4	109.6	138.0

Cash and cash equivalents					61.7
Net interest bearing debt					76.3

Currency hedges or other mechanisms are not at present used to manage foreign currency loans. Please refer to 9.5 for funding policy.

USD 140 million bond loan ("PEN 01")

In November 2010 the Company issued bonds of USD 140 million "Panoro Energy Senior Secured Callable Bond Issue 2010/2018". The bond proceeds have primarily been used to refinance the NEC01 bond of NOK 243.53 million and Brazilian BNDES and treasury loans. The residual amount after refinancing is to be used for general corporate purposes.

The bond issue is denominated in NOK and USD with tranches of NOK 205 million and USD 105 million carrying fixed interest rates of respectively 13.5% and 12% per annum. Interest is payable semi-annually with first payment falling due on May 15, 2011. The first principal repayment is due on November 15, 2012 of NOK 20.5 million and USD 10.5 million and the same amounts are repayable every year on November 15 to the year 2017. The remaining principal amounts of NOK 82 million and USD 42 million are repayable at the bond redemption date on November 15, 2018.

The bondholders carry a first priority pledge over Company's shares in Brazilian subsidiaries (Rio das Contas, Coplex and Norse Energy do Brasil) which effectively hold 10% working interest in Manati gas field. In addition to this, the bond agreement also stipulates issue of unconditional and irrevocable on-demand guarantees in favour of the Bond Trustee by the Brazilian subsidiaries.

The main covenants of the bond loan are as follows:

- The issuer shall maintain at all times, an Equity ratio of the Group of minimum 25% which needs to be measured at every quarter end date.
- The issuer shall not declare or make any dividend payments or other distributions or loans to its shareholders including and should not engage in any activity to the effect of reducing capital or equity in the parent company.
- The Company shall not provide loans to any of its Brazilian subsidiaries, except to the extent such loans are subject to a first priority pledge to secure the obligations of the bond issuer.
- The Company shall not provide guarantees or other credit support to, or make investments in, any person or entity outside the Group, other than in the conditions as prescribed in the loan agreement.

The main covenants applicable to the Asset Subsidiary (Rio das Contas) are:

- The asset subsidiary cannot establish any subsidiaries,
- Except as specified in the bond agreement, RdC shall not create or permit to subsist any encumbrance over any of its assets.
- RdC shall not incur or permit to remain outstanding, any Financial Indebtedness except for
- Any indebtedness arising in the ordinary course of business, including financing (including any lease agreements) of the Manati Compressor up to a maximum amount of the lesser of i) USD 10 million and ii) 60% of book value of Manati Compressor;
- Any intercompany indebtedness owed to the Issuer and/or any of the Brazilian Subsidiaries provided that such loans are pledged under the pledge over Intercompany Loans; and
- Any indebtedness arising under the relevant Subsidiary guarantees.

The amount above includes accrued interest to December 31, 2010 and is net of bond issue costs.

9.5 TREASURY AND FUNDING POLICY

The Company's operating currency is USD. The Company does not enter into long-term hedging on either of interest rates or forward selling of oil or gas production. The Company's cash-reserves, of which most are in USD, will be kept at interest-bearing accounts at the Company's bank facility providers, DnB and Barclays.

9.6 INVESTMENTS

Historical investments (unaudited)

(Compiled from Norse Energy Annual reports and notes and Panoro Energy interim financial statements), as incorporated by reference in this prospectus (see section 16.2 "incorporated by reference").

The table below summarizes the Company's investments in 2007 - 2010 (USD 000):

(Unaudited)	**2007**	**2008**	**2009**	**2010**	**Total**
Licences and exploration assets	6,136	38,855	10,896	69,154	125,041
Of which expensed	(3,992)	(34,611)	(7,300)	(1,635)	(47,538)
Production assets	25,755	10,958	5,201	-	41,914
Assets held for sale	-	-	-	30,000	30,000
Disposal of assets held for sale	-	-	-	(30,000)	(30,000)
Total principle investments	**27,899**	**15,202**	**8,797**	**67,519**	**119,417**

2010

In 2010, the Company acquired Pan Group's investments through the merger amounting to USD 89.7 million including the asset held for sale. The investments in the West African (post acquisition) and Brazilian assets for the period amounted to USD 9.4 million. The asset acquired and held for sale related to the Ajapa marginal field which was completed in November 2010. The impairment for the year 2010 relates to expensing of costs in relation to Sardinha licence from which the Company has exited during 4Q.

There is no goodwill in relation to any of the investments made during the year.

2009

In 2009, the Company invested USD 10.9 million in licences and exploration assets, of which USD 7.3 million was expensed as dry hole costs mainly related to the Cravo exploration well. In addition, investments of USD 5.2 million were added to the Manati production assets.

Investments in progress

From the end of the year and to the date of this Prospectus, the Company has capitalized the following significant costs in exploratory projects:

- Aje; USD 0.3 million
- Dussafu; USD 0.4 million
- MKB; USD 1 million

The Company has as well commitment on Dussafu license area in Gabon which is expected to be in the region of USD 6 million on a dry well basis. The costs related to this well will be financed through the use of available cash holdings.

9.7 PROPERTY, PLANT AND EQUIPMENTS

Property, plant and equipment held by the Group consist of fixture and fittings, office equipment and software.

All properties used by the Group are leased under operating leases.

10. PRESENTATION OF THE COMPANY

10.1 INTRODUCTION

The Company is an independent E&P company focusing on the South Atlantic region. The Company's business activities are exploration, development and production of petroleum resources. The Company has licenses in Brazil, Nigeria, Gabon and the Republic of Congo.

10.2 INCORPORATION, REGISTERED OFFICE AND REGISTRATION NUMBER

Panoro's legal and commercial name is Panoro Energy ASA. The Company was incorporated on 28 April 2009 under the name Startup 387 09 AS and was later renamed to New Brazil Holding ASA. In connection with the Merger and the listing of the Company's Shares on Oslo Børs, the Company was renamed to Panoro Energy ASA on 1 June 2010. The Company is a Norwegian Public Limited Company organised under Norwegian law, including the Norwegian Public Companies' Act. Panoro's registered organization number is 994 051 067.

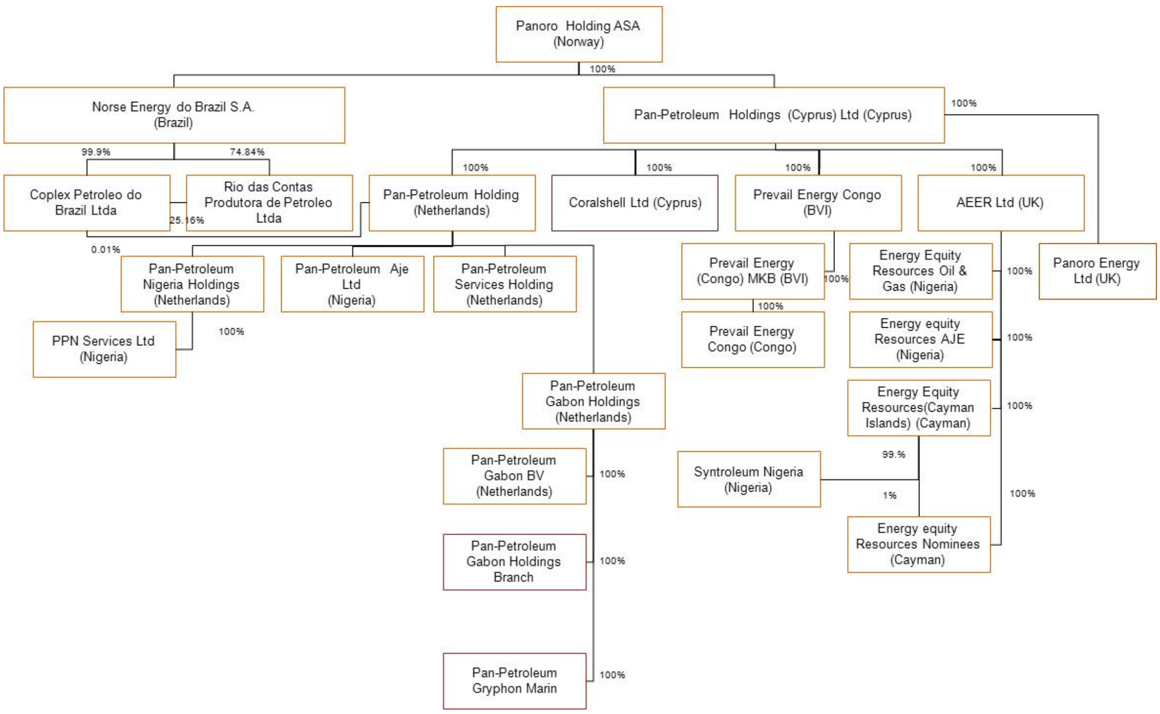
As of the date of this Prospectus, Panoro's registered share capital is NOK 342,403,342.89 divided into 234,447,081 Shares each with a nominal value of NOK 1.460471768. All the Shares are authorised and fully paid.

The Company has one class of shares, each Share carrying equal voting rights at general meetings. The Company's articles of association does not provide for limitations on the transferability or ownership of Shares.

Panoro's registered office and headquarters is at Dr. Maudsgate 1-3, 0124 Oslo, Norway. The Company's telephone number is + 47 23 01 10 00. The Company has offices in Oslo, London and Rio de Janeiro.

10.3 LEGAL STRUCTURE

The legal structure of Panoro Energy is illustrated below:



The issuer generally acts as a holding company with operations to manage the group and provide funding to the material subsidiaries.

Material subsidiaries

Norse Energy do Brasil, Business address: Praia de Botafogo, 228, Sala 801 Botafogo, Rio de Janeiro, Brazil. Holding company of the Group's Brazilian operations.

Panoro Energy c/o Pan-Petroleum Limited, Business address: 43-45 Portman Square, London W1H 6LY, United Kingdom. Holding company of the Group's West African operations.

10.4 HISTORY AND DEVELOPMENT

In 2005, the two companies Northern Oil ASA and NaturGass (USA) AS merged and changed its name to Norse Energy Corp. ASA. On 13 July, 2005 Norse Energy Corp. ASA was listed on the Oslo Stock Exchange under the ticker symbol "NEC".

Northern Oil was incorporated on 2 December 1997 under the name Northern Offshore ASA. In the beginning of the year 2000, Northern Offshore ASA acquired a controlling interest in two Canadian oil companies, Naftex and Petrolex Corporation. Naftex owned all the shares in Coplex which, in turn, owned 27.5% interests in the Coral, Estrela do Mar and Cavalo Marinho fields offshore Brazil. Subsequent to this acquisition, a decision was made to split the business of Northern Offshore ASA into two parts. The original investments in drilling units and production platforms were transferred to a new company; Northern Offshore Ltd. The oil related assets represented by the shareholdings in Naftex and Petrolex remained in the ownership of Northern Offshore ASA. Following these transactions Northern Offshore ASA was renamed to Northern Oil ASA and continued its original listing on the Oslo Stock Exchange under the new name. Northern Oil focused its activities on the exploration and production of oil. In 2002, Naftex sold its interest in Egypt to Lukoil. Petrolex Energy Corporation also sold its interests in Columbia.

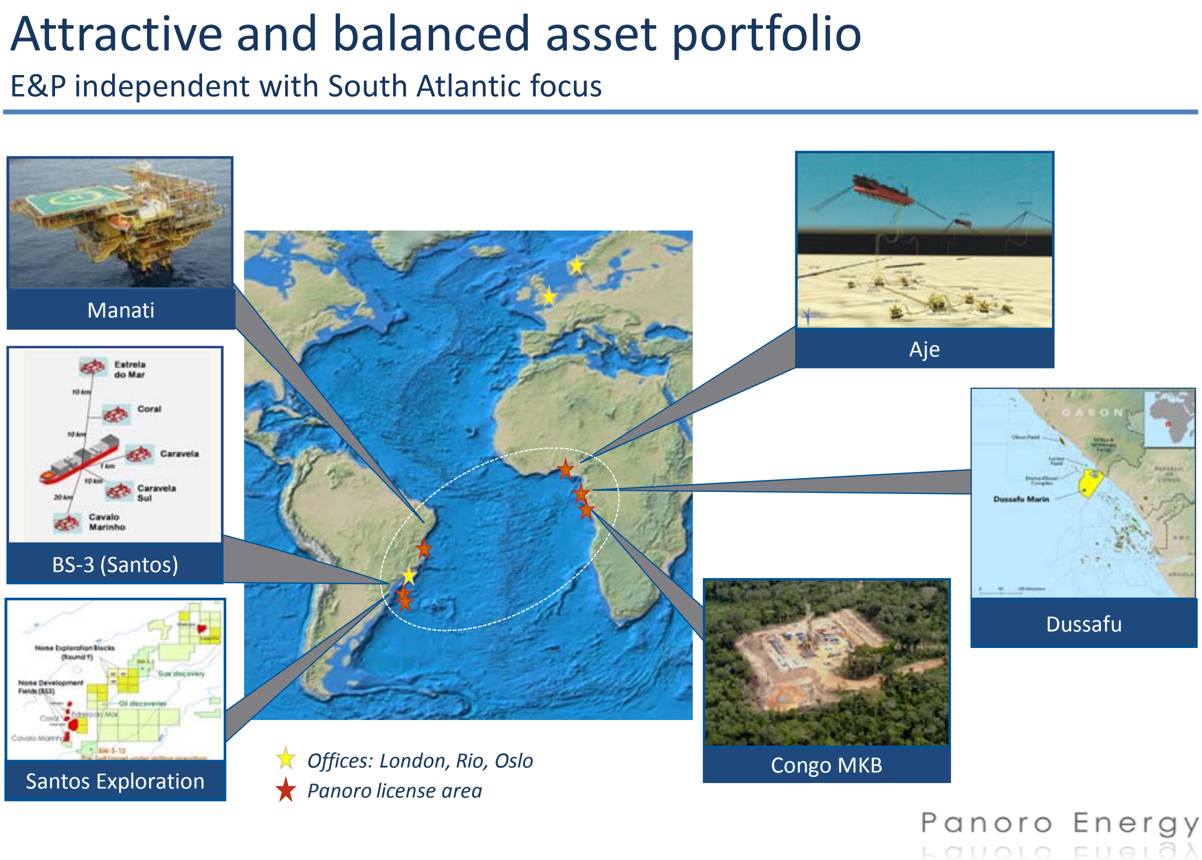
In a general meeting in Norse Energy on 28 January 2010 it was resolved that Norse Energy should be divided into two parts, where ownership of Norse Energy's mainland business, i.e., the business in the US and its associated assets was to be retained by Norse Energy while the ownership of the business in Brazil through Norse Energy do Brasil S.A. and its associated assets was to be transferred to Panoro Energy (the "Demerger").

The Demerger and the separation of the two business areas of Norse Energy and the separate listing of Panoro was assumed to optimise the capital structure and provide considerable growth potential in the respective markets. The Demerger was completed on 7 June 2010 and Panoro was assumed for listing on Oslo Børs on 8 June 2010. Through the Demerger Panoro acquired, among other things, 70% of the shares in NEdB.

At a shareholders' extraordinary general meeting of the Company on 26 April 2010 a Merger between the Company and Pan-Petroleum Holding AS ("Pan Holding") was approved (the "Merger"). The objective of the Merger was to create a significant E&P company with organizations and assets that are complementary and which jointly should enable superior performance. The Merger was completed on 29 June 2010 with Pan Holding as the assigning entity and Panoro as the acquiring entity. Through the Merger, Panoro acquired 100% of the shares in Pan Group and the 30% of the shares in NEdB not already owned by the Company.

10.5 BUSINESS OVERVIEW

The Company has a balanced portfolio of high quality assets in the South Atlantic region which provides a strong platform for further growth.



10.5.1 Brazil

Manati (10% interest) – Camamu-Almada Basin

The field is a well-defined structural play, where the main reservoir is a thick sandstone section with high porosity and permeability, around 300 meters of gross section and 200 meters of net pay. Shales are the sealing rocks. The field has a single gas/water contact at 1 590 meters of depth and is limited to the west by an unconformity, to the east by a down-to-the-basin fault and to north and south by structural dips.

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.

The Manati natural gas field is located inside the BCAM-40 Block and was discovered in October 2000. The 10% interest in the Manati field was acquired in 2005. Our partners in this field are Petrobras, the operator, holding a 35.0% interest, Queiroz Galvao, with a 45.0% interest and Brasoil with a 10.0% interest.

The development of the Manati Field was carried out between 2004 and 2007, through (i) the drilling of six development wells, (ii) the construction of a natural gas processing plant located in São Francisco do Conde; and (iii) the construction of an approximately 120 km long and 24 inch diameter pipeline to connect the offshore platform and the natural gas processing plant.

The Company anticipates ultimate recoverable reserves to exceed the current gas contract volume. An additional gas contract for the remaining volumes above the existing take or pay contract is in the final stages of completion.

For the present work, GCA was able to include results of the 2009 field re-evaluation conducted by the Operator involving re-visiting seismic interpretations and geological modelling considering 3 years of production history with pressure data.

GCA restricts 1P numbers to the minimum contracted volume according to the signed take-or-pay sales contract. They also point out that some 2.8 MMBOE of this would require installation of compression equipment. (Compressor-station currently planned for 2013).

Compared to last year, 1P reserves according to Gaffney & Cline are down from 12.8 to 11.5 MMBOE while 2P Reserves decreased from 16.7 to 15.8 MMBOE, reflecting both the new interpretation (which added 0.3 MMBOE to the 2P estimates) and 1.183 MMBOE produced volumes during 2009.

Certified 3P volumes of 17.9 MMBOE assume a 7th well, draining the northern extension of the field.

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

The Company has defined the BS-3 Integrated Project to include the Cavalo Marinho (50% interest), Estrela-do-Mar (65% interest), Coral re-development (35% interest), Caravela (100% Petrobras) and a pipeline to shore.

The Company acquired a 27.5% interest in the Cavalo Marinho Field in 2001 and subsequently increased our interest to 42.5% in 2005 and to 50.0% in 2006. Our consortium partners in the Cavalo Marinho Field are Petrobras, the operator who holds an interest of 35.0%, and Brasoil, owning an interest of 15% in the field.

The Company acquired 27.5% interest in the Estrela do Mar Field in 2001 and subsequently increased our interest to 57.5% in 2005 and to 65.0% in 2006. Our partner in the Estrela do Mar Field is Petrobras, which holds a 35.0% interest and serves as operator of the asset.

The Company acquired an indirect interest of 27.5% in the Coral Field through our subsidiary Coplex in 2001. Subsequently we increased our interest with the acquisition of an additional 7.5% interest in 2006. Our partners in the field are Petrobras, operator with an interest of 35%, Queiroz Galvao, owning an interest of 15.0% and Brasoil, owning an interest of 15.0%. The field produced approximately 12 million barrels of oil from 2003 to 2008 and is considered for redevelopment as part of the BS3 Integrated project.

The BS3 Integrated project hold third-party certified 2P reserves net to the Company's interest of 19.6 MMBOE at the end of 2009.

Updated development plans for the Cavalo Marinho and Estrela do Mar fields were filed to the Brazilian National Petroleum Agency ("ANP") on January 13, 2011. This was an important milestone on the way to a final investment decision and ultimately production from the BS-3 fields.

Cavalo Marinho field (CVM), 50% interest

The development concept for Cavalo Marinho includes a FPSO (50,000 bbl/day capacity) and gas export system to shore for onshore processing, to be shared with the Caravela field (approximately same size as Cavalo Marinho, 100% Petrobras). Production from the fields is scheduled to commence in Q1-2015.

Estrela do Mar field (EdM), 65% interest

The development concept for Estrela do Mar was filed as a stand-alone development for the oil, with the gas produced through the same gas export system as the other fields in the area. Integration of Estrela do Mar as a satellite connection to a common FPSO will be evaluated. Production from this field is scheduled to commence in Q1-2016.

The development plan for Estrela do Mar also includes an extended production test in the B1 reservoir, with the objectives to both understand reservoir productivity and demonstrate the economic potential to produce this reservoir in combination with the B2/B3 reservoirs.

Coral field, 35% interest
Studies are planned to decide when, whether and how to integrate a redevelopment of the Coral field as part of the development for the area.

Camarão Norte (part of BCAM-40 block, 10% interest) – Camamu-Almada Basin
Through drilling of the BAS-131 well in the southern part of BCAM-40 Block, the consortium discovered an oil and natural gas reservoir inside the BCAM-40 Block. The consortium declared commerciality of the BAS-131 discovery and named it "Camarão Norte" (CRN). This field was discovered in 2001, 9 km south of the Manati field and extends to the south into the BM-CAL-4 block which is 100% owned by El Paso.

The field reservoirs of the Camarão Norte are of Sergi sandstones (same as the Manati field). The CRN is a ring fenced area of 17 square km in 40 meters of water depth.

In September 2007, El Paso declared commerciality of the field in the BM-CAL-4 block and proposed the name of Camarão for the field. According to the Brazilian Petroleum Law, the two areas of the field have to be unitized and a single development plan has to be proposed to ANP. The unitization discussions continue during 2011.

S-M-1100, S-M-1035 and S-M-1036 Blocks (15% interest[1])
The Company was awarded S-M-1100, S-M-1035 and S-M-1036 Blocks in the ninth bidding round for concessions held in November 2007 by Brazilian Petroleum Authorities, ANP. The Company was awarded operatorship of the three Blocks, with 50% interest in each of them, and Brasoil awarded the remaining 50%.

The three blocks are located adjacent to each other, about 100 kilometres northeast of the Coral field; in about 200 meters of water depth with reservoir characteristics similar to the Company's other assets in the area. These exploration blocks, which cover an area of approximately 510 square kilometres, are anticipated to hold significant exploration potential

During 2009, the Company acquired 3D seismic which covered the three exploration blocks in a total area of ~725 square kilometres (~180,000 acres).

In January 2011, the Company signed a farm-out agreement to assign 35% of the Company's 50% interest to Vanco. This assignment is subject to approval from the Brazilian National Petroleum Agency (ANP). Upon ANP approval, Vanco will hold a 70% working interest as Operator of the licenses.

Upon ANP approval, the Company will receive net proceeds of approximately USD 15 million, covering Panoro's historical costs on the licenses. Vanco will finance Panoro's share of drilling costs for three exploration wells, one on each license. Furthermore, Vanco will be entitled to recover the financed portion of successful wells and half the financed portion of unsuccessful wells from Panoro's share of future production from discoveries made on the licenses.

The transaction includes an option for the Company to increase working interest in the licenses to 20%, prior to commencement of drilling the first exploration well. In that event, Panoro will have to fund 5% of the past costs, work program costs and future drilling costs of the wells.

10.5.2 Nigeria

OML 113 Aje (12.19% Revenue Interest)
Pan Group has a 12.1913% revenue interest (6.502% participating interest), in OML 113 which is operated by Yinka Folawiyo Petroleum (YFP) and is located in the extreme western part of offshore Nigeria adjacent to the Benin border. The license contains the Aje field as well as a number of exploration prospects.

[1] Pending government approval

Aje Field was discovered in 1997, in water depths ranging from 100-1500m. Unlike the majority of Nigerian Fields which are Tertiary sandstones, Aje has multiple oil, gas and gas condensate reservoirs in the Turonian, Cenomanian and Albian sandstones, and as such has more affinity with the recent Jubilee and Tweneboa discoveries offshore Ghana.

Four wells have been drilled to date on the Aje Field. Aje-1 and -2 tested oil and gas condensate at high rates. Aje-4, drilled in early 2008, logged significant pay and confirmed the presence of four productive reservoirs. The Aje Field has full 3D seismic coverage.

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 which is lower than estimate from 31.12.2009. Panoro Energy will retain an independent, third-party consultancy to review the new PSDM seismic.

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.

The Aje Field development is being managed by Chevron, as Technical Advisor to Yinka Folawaiyo Petroleum. There is a gas sales opportunity available to the partnership, via access to the West Africa Gas Pipeline ("WAGP"). The WAGP was commissioned in May 2009 to provide Nigerian gas to end-users in Benin, Togo and Ghana, and is routed directly through OML 113, only 5km from the Aje Field. The location of the Aje Field only 43km south west of Lagos may also provide a ready market for gas and associated LPG's.

The license, OPL 309, was originally awarded to YFP in July 1991 in the indigenous bid round by the Ministry of Petroleum Resources. Following the discovery of the Aje field the license was converted into OML113 in June 1998 with a 20 years lease term.

OML 113 is tax/royalty concession. There is a ~10% royalty on all production and the Nigerian deep water tax regime has 50% Petroleum Profit Tax (PPT)) and 30% Corporate Income Tax for gas

10.5.3 Gabon

Dussafu Marin Permit (33.33% Interest)

Covering an area of 2,775 sq km, most of the block lies in less than 200m of water and has been explored since the 1970s. A total of 19 wells have been drilled on the block to date, of which four have been discoveries (3 oil and 1 gas) and oil shows are present in most other wells. To the north west of the block is the Etame-Ebouri Trend, a collection of fields producing from the pre-salt Gamba sandstone, and to the north are the Lucina and M'Bya fields which produce from the syn-rift Dentale and Lucina sandstones beneath the Gamba.

The main reservoir target in Dussafu is the Gamba sandstone, which is productive in many fields in the area. It consists of a regionally extensive blanket of fine to medium-grained sand, generally with excellent reservoir qualities. Additional potential exists in the older, syn-rift formations, and in the post-salt Madiela Formation, which is a prolific reservoir in Congo and Cabinda, and productive at the nearby Yombo field in Congo. Two existing discoveries on the Dussafu permit are currently being reviewed - the Moubenga-1 well (Elf, 1981) tested up to 2730 BOPD from the Dentale, and Walt Whitman-1 (Amoco, 1995) which encountered a 17m oil column in the Gamba sandstones.

Within the current exploration phase, the parties have acquired additional 2D seismic and reprocessed the existing 3D seismic, have conducted geological, geophysical and engineering studies and have recently agreed the location of an exploration well. Preparations are underway for drilling in Q2 2011.

10.5.4 Republic of Congo (Brazzaville)

Mengo-Kundji-Bindi (20% Interest)

The onshore Mengo-Kundji-Bindi ("MKB") permit includes three fields with potentially very large STOIIP but low recovery from the pre-salt Mengo Sandstone reservoirs. The fields were discovered and produced in the 1980's by Elf and abandoned in 1992. The oil is 32 - 34°API and waxy.

Pan Group acquired its interest in MKB in January 2010. Under the terms of the Sale and Purchase Agreement Pan Group agreed to issue to the Sellers a number of shares based upon certain performance criteria. Following the NOK 550 million Private Placement in February 2011 and potential NOK 50 million repair issue, this would result in potential dilution of 1.9% if the tests set out below are met:

	Test 1	Test 2	10k bopd	15k bopd	20k bopd	30k bopd	40k bopd	Total
Potential dilution	0,2 %	0,2 %	0,5 %	0,2 %	0,2 %	0,2 %	0,2 %	1,9 %
Accumulated	0,2 %	0,4 %	0,9 %	1,1 %	1,4 %	1,6 %	1,9 %	1,9 %

The Congolese state oil company Société Nationale des Pétroles du Congo ("SNPC") is the Operator of the MKB Permit with Société Nationale d'Opérations Pétrolières de Côte d'Ivoire (Petroci) holding another 20% interests. SNPC drilled two new wells (KUN-4BIS and KUN-5) in 2009 in the Kundji Field. These will be hydraulically fractured using modern techniques and put on a long term test in 2010 to demonstrate the viability of a re-development project.

Operations and testing to date have confirmed sufficient permeability, frackability of the reservoirs and oil flowing to surface without any formation water. During the testing program, Kun-4bis has shown capacity to produce 600 bopd and the KUN-5 well has shown capacity to produce 300 bopd. Combined production from these two wells is expected to decline to a stable rate of 500-600 bopd after one year of production.

Drilling of a further six wells as part of the pilot program is scheduled to commence in the first half of 2011 and the wells are expected to be opened for commercial production in the second half of 2011.

Following this initial pilot programme, the MKB Joint Venture will evaluate a full-field development.

10.5.5 Reserves and resources

The reserve and contingent resource volumes have been classified in accordance with the NPD classification system (http://www.npd.no/regelverk/r2002/Ressursklassifisering_n.htm) and are consistent with the Oslo Stock Exchange's guidelines for the disclosure of hydrocarbon reserves and contingent resources.

Reserves in the Company per end 2009:

Field	**1P reserves**	**2P reserves**	**3P reserves**
Estrela do Mar	-	5.7	6.8
Cavalo Marinho	5.7	14.2	20.3
Manati	11.5	15.8	17.9
Total	**17.2**	**35.7**	**45.1**

The Company bases its investment plans on reserve reports prepared by the independent reserve engineer firms Gaffney Cline & Associates in Brazil and AGR Tracs International in West Africa. Regarding the reserve report, reference is made to section 16.2 "Incorporated by Reference" in this Prospectus.

Concession terms for production and development licenses in Brazil carry a 27-year term and are issued by the National Petroleum Agency (the Agência Nacional do Petróleo, or ANP).

10.5.6 Research and development, patents and licenses

In order to operate in Brazil and West Africa, the Company is dependent on certain exploration and production licenses. The Company currently holds interests in the following licenses:

Licence	Country	Interest
BCAM-40/Manati (including Camarão Norte)	Brazil	10%
Cavalo Marinho	Brazil	50%
Estrela-do-Mar	Brazil	65%
Coral	Brazil	35%
S-M 1035	Brazil	15% (pending ANP approval)[1]
S-M 1036	Brazil	15% (pending ANP approval)[1]
S-M 1100	Brazil	15% (pending ANP approval)[1]
Dussafu Marin (Gabon)	Gabon	33.33%
OML 113 Aje Field (Nigeria)	Nigeria	12.1913% revenue interest 6.502% participating interest
Mengo-Kunji-Bundi (MKB license)	Republic of Congo	20%

The Company has not incurred any material expenses on research and development.

10.6 CAPITAL RESOURCES

In the opinion of the Company, the proceeds of the Private Placement, cash generated from operations and opening cash balances is sufficient working capital to cover the Company's present requirements for a period of at least 12 months.

Following the repayment of Brazilian debts and redemption of NEC01 bond, a new Callable bond was raised in November 2010. Therefore, the Company will have the following principal payment schedule for its bond debt:

Amounts in USD millions	**Loan balance as of 31 December 2010**				
(Unaudited)	**2011**	**2012**	**2013**	**> 2014**	**Total**
Norway					
NOK denominated loan	0.5	3.4	3.4	27.5	34.8
USD denominated loan	1.1	10.0	10.0	82.1	103.2
Total	1.6	13.4	13.4	109.6	138.0

[1] Panoro currently holds 50% ownership, after recent announced farm-out agreement, ownership is reduced to 15%, subject to ANP approval. For further information, please refer to Section 10.5.1

Cash and cash equivalents					61.7
Net interest bearing debt					76.3

The interest is payable semi-annually on both tranches of the bond in the months of May and November every year till maturity. The principal repayment will start from the year 2012 and will be fully repaid by the year 2018. Note that the above maturity profile is net of un amortised issue costs which are offset from the maturity amounts for reporting purposes and expensed over the life of the instrument.

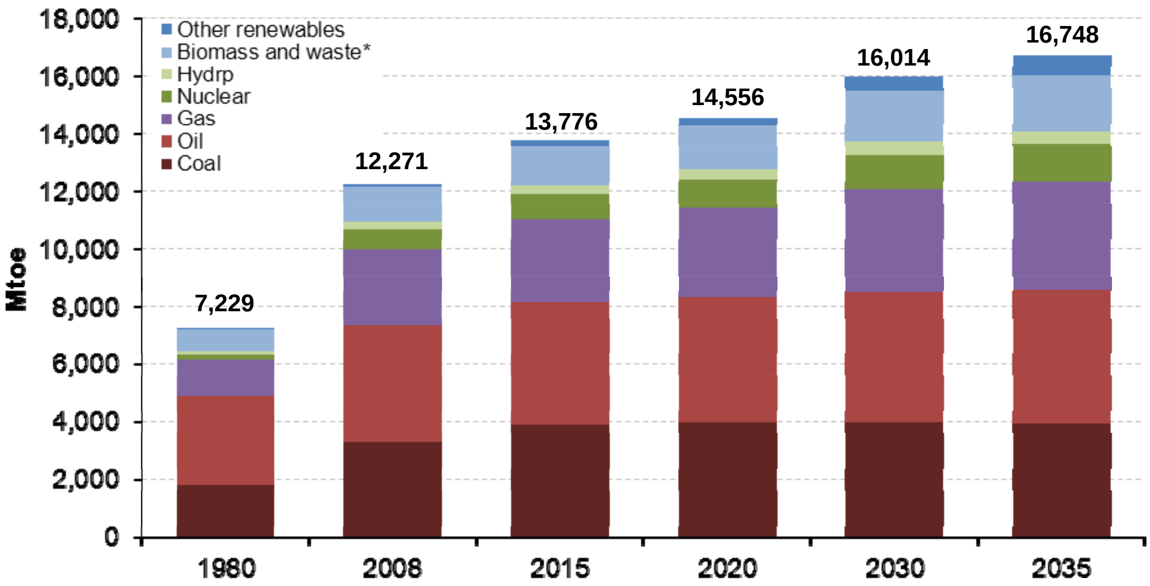
11. MARKET OVERVIEW

11.1 OVERVIEW OF THE GLOBAL ENERGY MARKETS

11.1.1 Energy market overview

Over the past 3 years, world energy markets have experienced large upheavals. The global financial crisis and ensuing recession have had a dramatic impact on the outlook for energy markets, particularly over the next few years. According to the International Energy Agency's ("IEA") Oil Market Report, global energy use declined by 0.2% in 2008 and 1.5% in 2009, 2008 being the first year since 1982 with a year-on-year reduction in global energy usage. However, along with the economic recovery, energy use has quickly resumed its long-term upward trend. In the International Energy Agency's ("IEA") "World Energy Outlook" base case scenario ("New Policies Scenario"), world primary energy demand is projected to increase by 1.2% per year between 2008 and 2030, from 12,271 million tonnes of oil equivalent (Mtoe) to 16,748 (Mtoe), which represents an overall increase of 36%. Developing Asian countries are expected to be the main drivers of this growth, followed by the Middle East. Demand is expected to slow progressively, from an average of 1.7% from 2008-15, 1.1% from 2015-20 and 0.9% from 2020-35.

FIGURE 11.1 - WORLD PRIMARY ENERGY DEMAND BY FUEL IN THE NEW POLICIES SCENARIO (MTOE)

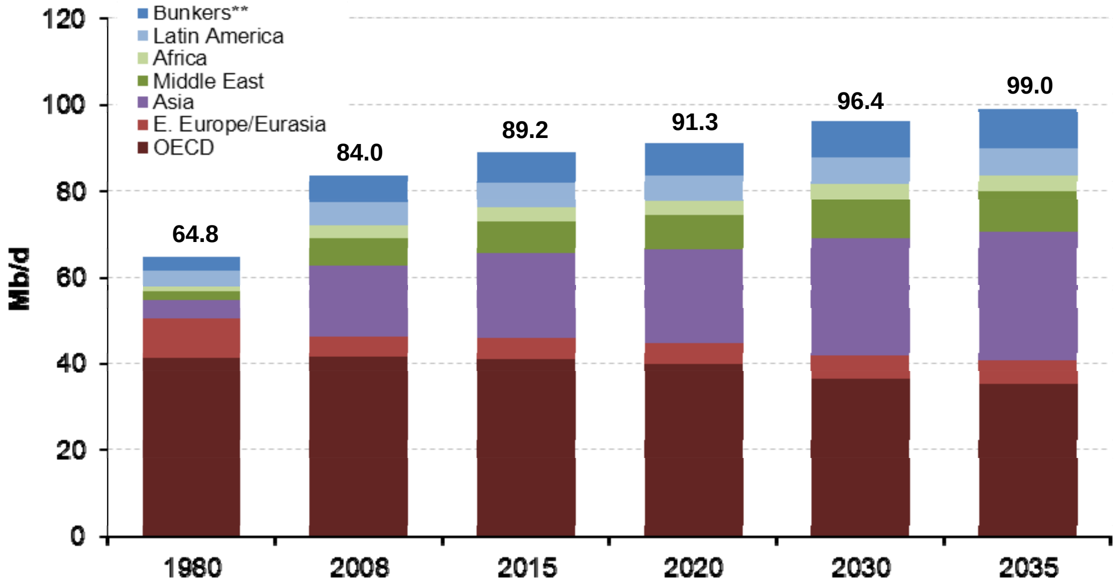


Source: IEA "World Energy Outlook", November 2010, New Policies Scenario
**Includes traditional and modern uses*

11.1.2 Oil market overview

Fossil fuels (oil, coal and natural gas) remain the dominant sources of primary energy worldwide, accounting for 53% of the demand increase in the period 2008 to 2035, according to the IEA's New Policy Scenario. Oil is expected to remain the single largest fuel in the primary fuel mix, despite a drop in share from the current rate of 33% to 28% in 2035. Demand for oil (excluding biofuels) is projected to grow by 0.6% per year on average over the projection period, from 84 million barrels per day in 2009 to 99 million barrels per day in 2035. This growth comes in its entirety from non-OECD countries, with demand from OECD countries expected to fall. The transport sector accounts for almost all of the increase in oil usage, as its share of total energy consumption is expected to increase from 53% in 2009 to 60% in 2035. Total oil production in non-OPEC countries is expected to peak before 2015, resulting in that most of the increase in output would need to come from OPEC countries which hold the bulk of the remaining recoverable conventional oil resources.

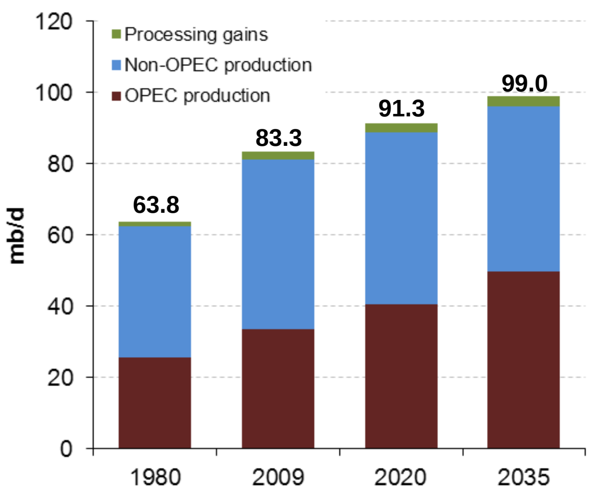
FIGURE 11.2 - PRIMARY OIL DEMAND* BY REGION (MB/D)



Source: IEA "World Energy Outlook", November 2010, New Policies Scenario
* Excludes biofuels demand, which is projected to rise from 1.1 mb/d in 2009 to 2.3 mb/d in 2020 and to 4.4 mb/d in 2035.
** Includes international marine and aviation fuel

The IEA expects oil production to rise from 83.3 mb/d in 2009 to 91.3 mb/d in 2020 and 99.0 mb/d in 2035. All of the projected increase in output comes from members of OPEC, which hold the bulk of remaining proven oil reserves and ultimately recoverable resources, in addition to processing gains. From 2009 production levels of 47.7 mb/d, non-OPEC countries are expected to decline to 46.1 mb/d in 2035.

FIGURE 11.3 - OIL PRODUCTION AND SUPPLY BY OPEC/NON-OPEC



Source: IEA "World Energy Outlook", November 2010, New Policies Scenario

11.1.3 Oil price

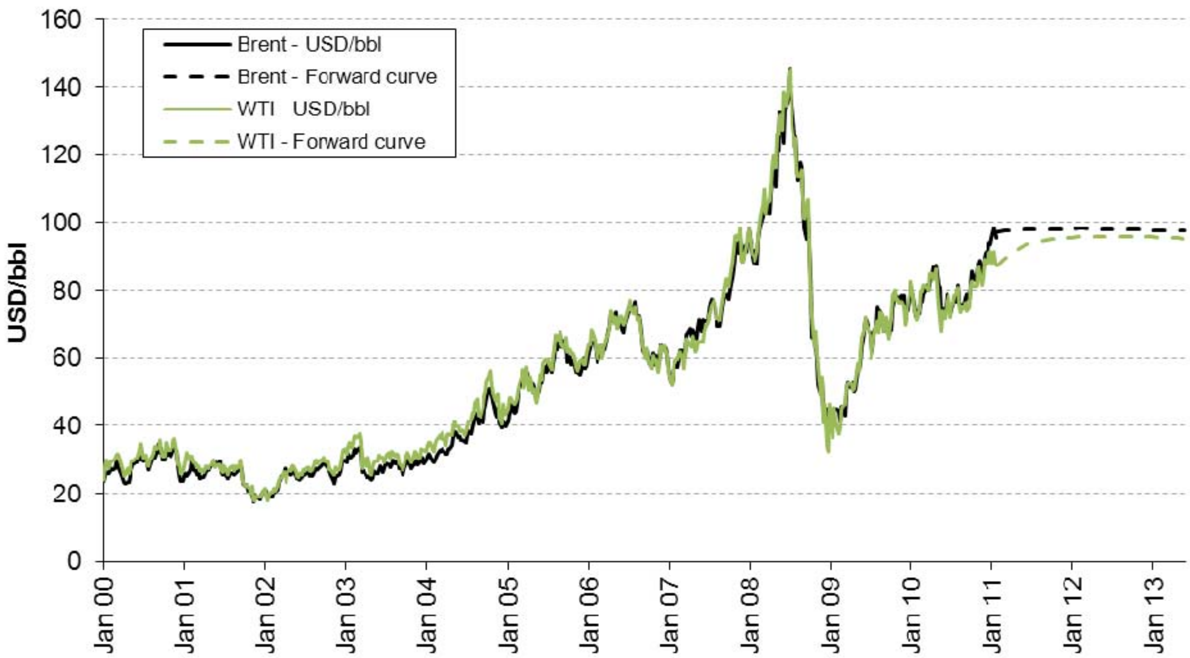
11.1.3.1 Oil price development

As of the date of this Prospectus the oil price is around USD 115 per barrel (Brent Blend), about 110% higher than the average price over the last ten years. The oil price started to increase in 2002 from ~20 USD/barrel and was driven by strong global demand in combination with limited supply due to lack of real spare capacity.

In 2008, the oil price peaked at ~140 USD/barrel despite the fact that the market seemed well-supplied with crude and stock levels were high. The emergence of oil as a financial asset class may have caused non-fundamental factors to trigger the extreme price level and volatility. The financial crisis in 2008 and 2009, which turned into a real economic crisis worldwide, has been regarded as one of the main reasons for the setback in the oil price during the second half of 2008.

Since then the oil price has rebounded sharply on back of a rebound in economic activity and continued growth in China in addition to very effective cuts in OPEC production. These underlying factors are believed to be the main reasons for oil prices moving up to its current level around USD 90-100 per barrel. The current forward curve suggests a long term oil price in the range USD 97-100 per barrel.

FIGURE 11.4 - OIL PRICE DEVELOPMENT SINCE JANUARY 2000



Source: Bloomberg, as of January 2011

The oil price is affected by a number of factors, including changes in supply and demand, OPEC regulations, weather conditions, regulations from domestic and foreign authorities, political and economic conditions and the price of substitutes.

It should be noted that the oil market is dynamic and that the demand for oil to some extent is inversely linked to the price. Longer periods of high oil prices can therefore lead to increased use of alternative energy sources at the cost of oil demand.

11.1.3.2 OPEC's role in the oil market

OPEC is an international organization of twelve countries, which are heavily reliant on oil revenues as their main source of income. Membership is open to any country which is a substantial net exporter of oil and shares the ideals of the organization. The current members are Algeria, Angola, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates and Venezuela.

Twice a year, or more frequently if required, the Oil and Energy Ministers of the OPEC countries meet to decide on the organization's output level and consider whether any action to adjust output is necessary in the light of recent and anticipated oil market developments. During the period in 2005-2008, with strongly increasing energy prices, it was questioned whether OPEC had control over the price setting in the oil market. Regardless, it is clear that OPEC has regained more control over prices as the cartel has reduced output and currently has in excess of 5% spare production capacity compared to close to no spare capacity in 2007-08.

The spare capacity enables important volumes of additional supplies to be made available in times of shortage, thereby stabilising the market.

Demand factors support high petroleum prices going forward. On average, from 1980 to 2009, each 1% increase in GDP was accompanied by a 0.3% rise in primary oil demand. The IEA expects the global GDP growth to remain strong in the short term, estimating growth to be 4.4% from 2010 to 2015.

Global oil demand growth declined during 2000-2002, mainly because of turmoil in the global economy. Economic recovery combined with increasingly strong demand from Asia drove the demand growth up to 2.3% and 3.4% in 2003 and 2004, respectively. In the period 2005 to 2007, oil demand growth was in the range 1.3% to 1.9%. 2008 resulted in a marginal negative growth and 2009 saw decline of -1.5%. 2010 oil demand growth was 3.2%, which is significantly higher than the past 10 year's average of 1.3% annual growth. As of January 2011, the IEA estimates global oil demand growth in 2011 to be 1.6%.

11.2 OIL AND GAS PROVINCE LIFE CYCLE

World oil production is concentrated in and around several oil and gas provinces (areas were substantial oil and gas reserves have been found). The major provinces include the Gulf of Mexico, West Africa, the North Sea, the Norwegian Sea, the Caspian Sea, the Middle East, the Far East and Russia.

Throughout its life, an oil province will typically go through a cycle of several different stages as it matures.

FIGURE 11.5 - THE UPSTREAM E&P VALUE CHAIN

			Maturity		
Key Activities	**Exploration**	**Development**	**Production**	**Tail-end production**	**Abandonment**
	• Licence rounds • Seismic surveys • Exploration drilling	• Building production/drilling/ quarters facilities • Production drilling	• Production drilling • Reservoir management	• Infill drilling • IOR • Tie backs • Opex reductions	• Shut down and removal of platforms
Investment Risk	• High. Probability of discovery between 10% and 30%. 40% in Norway	• High to medium	• Medium to low	• Medium	• Medium
Capital Requirement	• Low to medium	• High	• Medium	• Medium	• Medium to high
Main Participants	• Small to large Companies	• Large companies	• Large and medium sized companies	• Small and medium sized companies	• Owners
Typical provinces	• **West Africa**, Gulf of Mexico, Caspian Sea, North Sea, Norwegian Sea, **Brazil**	• **West Africa**, Gulf of Mexico, Caspian Sea, North Sea, Norwegian Sea, Middle East, **Brazil**	• **West Africa**, Gulf of Mexico, Caspian Sea, North Sea, Norwegian Sea, Middle East, **Brazil**	• Gulf of Mexico, North Sea, Middle East	

The initial *exploration* phase is characterized by high exploration activity and high reserve growth. Most of the provinces' large fields are discovered in this phase. The main players in this phase are some specialised smaller E&P companies, the major international oil companies and national oil companies.

When a province enters its *development* stage, its largest fields are put on stream and production increases rapidly. At the same time reserve growth from exploration activity slows down. The number of players increases, with medium sized and smaller, independent companies becoming more active.

In a province's *mature* state production is declining and reserve growth from exploration has slowed significantly. As a consequence, lifting and finding costs usually increase. The focus is on keeping old, mature fields in production, and exploration activity focuses on areas close to existing infrastructure. Major companies usually reduce their activity and redeploy manpower and cash flow to less mature areas, opening up for increased activity from smaller, independent players. Production from mature fields tends to decrease with time, but measures can be taken to maintain production levels or slow down the rate of decline.

11.3 AREAS OF OPERATION – REGIONAL DESCRIPTIONS

11.3.1 Brazil

Brazil is a bright spot in the world of energy exploration and production today, having one of the world's largest anticipated untapped resource bases. Brazil is developing an oil exporting nation with its recent discoveries of the deep sub-salt oil fields offshore the coast of Brazil. According to the BP Statistical Review of World Energy 2010, Brazil had 12.9 billion barrels of oil reserves and 361 Bcm of gas reserves as of 2009. Brazil is currently undertaking one of the world's largest exploration programs to map the extent of discoveries such as Tupi. The state controlled oil major Petrobras is the leading oil and gas company in the region and is also partner with Panoro in its licenses. As an early entrant since oil deregulation in 1997, Panoro established a significant presence through its acquisitions of proven reserves, as well as building productive relationships with the Brazilian authorities, financial institutions and Petrobras.

11.3.2 Nigeria

According to the BP Statistical Review of World Energy (June 2010), Nigeria produced 2.1 million bopd in 2009, and is the largest producer in Africa and the seventh largest in OPEC. Nigeria holds the second largest oil reserves and the largest natural gas reserves in Africa. Nigeria holds the ninth largest natural gas reserves in the world. The country is heavily dependent on its oil industry and oil revenue accounts for 95% of foreign-exchange earnings and 80% of government revenue. The Nigerian government has set a target of achieving four million bopd, but is unlikely to achieve this target until 2012, at the earliest. According to the BP Statistical Review of World Energy 2010, the country is estimated to have in excess of 5.25 Tcm in gas reserves and the Federal Government has introduced a gas master plan that will end gas flaring and monetise its resources. Nigeria is pursuing a number of new policy directions with the aim of restructuring its upstream and deregulating its downstream sectors.

The most significant issue facing Nigeria is the continued violence and militant activity in the Niger Delta region, which has led to long term shut ins of up to 40% of the country's production capacity. According to the BP Statistical Review of World Energy (June 2010), in 2009, Nigeria produced an average of 2.06 million bopd, which is 2.6% of the world total.

11.3.3 Gabon

Gabon is one of West Africa's oldest oil producers, peaking at 370,000 bopd in 1997 (Source: US Department of State: Gabon). The country is the fourth largest oil producer in sub-Saharan Africa, producing an average of 229,000 bopd in 2009, 0.3% of the world total and holds the seventh largest oil reserves in Africa (Source: BP Statistical Review of World Energy 2010). As such the upstream oil industry plays a critical role in the economy, representing approximately 80% of the country's export. Exports of crude oil account for approximately 50% of the government's budget and more than 40% of its gross domestic product.

The Gabon basin is a classic passive margin pull-apart basin that developed as a result of continental rupture and the subsequent separation of South America from Africa. The striking feature of the basin is a widespread evaporate (salt) layer that separates two distinct sedimentary sequences (the pre-salt and the post-salt sequences). Basement faulting associated with extensional (rift) tectonics has structurally influenced the pre-salt sediments. The post-salt sediments have been widely disrupted by halokinetic movement of the underlying salt. Both the pre-salt and post-salt sediments are oil-bearing.

The prospective Aptian Gamba sandstone is a proven producer in many neighbouring fields in the basin, including CNR's Olowi oil and gas field (200 mmbbl and 600 bcf in place). Drilling targets are dip-closed structures beneath the Loeme salt. Seismic imaging of such structures presents a technical challenge which has been addressed through the reprocessing of seismic data and acquisition and study of potential field data.

In 2008, Gabon had the highest level of activity in West Africa with 11 exploration and appraisal wells onshore and nine offshore and seven licences were awarded (Source: Wood Mackenzie, Upstream Insight, Sub-Sahara Africa exploration review 2008.

11.3.4 Republic of Congo (Brazzaville)

The entire coastal area of Congo lies within the Congo Basin. The northern limit of the basin is the Mayumba Spur in southern Gabon, a basement high, which separates it from the Gabon Basin to the north. The Congo Basin extends as far south as the Ambriz spur offshore mainland Angola. All the productive oil fields of Congo-Brazzaville, Cabinda, the Democratic Republic of Congo and northern Angola lie within this basin. The Congo Basin shows the characteristic features of a pull-apart basin. The basement rocks that outcrop to the east are progressively down faulted to the west by a series of normal faults.

The faults generally run north-south, paralleling the basement outcrop. In Congo, the eastern edge of the basin, where the basement outcrops, is roughly 50 km inland. The edge of the offshore shelf area (regarded as being at the 200-metre isobath) lies about 60 km offshore. The Congo Basin, like the Gabon basin, contains a widespread evaporate (salt) layer that separates two distinct sedimentary sequences (the pre-salt and the post-salt sequences). The basement faulting associated with extensional (rift) tectonics has structurally influenced the pre-salt sediments. The post-salt sediments have been widely disrupted by halokinetic movement of the underlying salt. Both the pre-salt and post-salt sediments are oil-bearing.

Congo produces an average of 274,000 bopd in 2009, which is 0.4% of the world total (Source: BP Statistical Review of World Energy 2010). Congo contains the third largest proven natural gas reserves in sub-Saharan Africa (Source: US Department of Energy, Energy Information Administration).

11.4 SEGMENT INFORMATION

Reference is made to Section 6.5 for information regarding the Company's operating segments.

12. BOARD OF DIRECTORS, MANAGEMENT AND EMPLOYEES

12.1 BOARD OF DIRECTORS

12.1.1 Overview

The Board is responsible for administering the Company's affairs and for ensuring that the Company's operations are organized in a satisfactory manner.

The following table sets forth, as the date of this Prospectus, the number of options and shares beneficially owned by each of the Company's directors:

Name	Position	Has served since	Term expires	Options held	Shares held
Dr Philip A Vingoe	Chairman	July 2010	AGM 2012	375,000	1,339,669
Katherine H. Støvring	Board member	December 2009	AGM 2012	None	None
Ragnar Thor Grundtvig Søegaard	Board member	May 2010	AGM 2012	None	53,000
Christine M.K. Wheeler	Board member	August 2010	AGM 2012	None	None
Tord Pedersen	Board member	August 2010	AGM 2012	None	47,957

12.1.2 Description of the board members

The Company's Board of Directors consists of the following members

Dr. Philip A Vingoe – Chairman of the Board
Dr. Vingoe has over thirty five years of oil and gas experience, commencing in the technical arena and progressing to executive leadership. His responsibilities have included the management of assets and people in the U.K. ,U.S.A, Norway, Australia, South Africa, U.A.E., Egypt, Qatar, Pakistan, Oman, Thailand, Laos, Indonesia, Mozambique, Congo, Gabon, Nigeria and Equatorial Guinea, as well as wide ranging global responsibilities with various companies.

During 18 years with BP, Dr. Vingoe held a number of positions, ranging from interpreting geophysicist, through General Management of various multi-disciplinary teams to Technology Director. In 1995, he moved to Australia to co-lead the IPO of an Australian independent, Novus Petroleum. Over the ensuing five years, the Company acquired a portfolio of assets across Asia, Africa and the Middle East. In 2000, he took up the role of Managing Director of Sasol Petroleum International (SPI) based initially in Johannesburg. In 2005, he joined Energy Equity Resources where he directed all the exploration and appraisal activity as well as communicating with investors and raising investment capital. During 2005 and 2006, he was also a Non-Executive Director of the Canadian-listed company Pan-Ocean Energy Corporation Ltd. Pan-Ocean was sold to Addax for $1.5 billion in September 2006. He resigned from EER in November 2007 in order to lead the creation of Pan-Petroleum and has been instrumental in the merger and creation of Panoro Energy.

Business address: 43-45 Portman Square, London W1H 6LY, United Kingdom.

Katherine H. Støvring, Non-Executive Director
Ms Støvring is a former Vice President International Exploration and Production in Statoil, and prior to this worked with Planning and Performance Management in the Gas, Power and Renewables division of BP plc in London. Ms. Støvring graduated from London Business School (Sloan Programme) in 2001. In addition she is a member of the Norwegian Bar and a Solicitor Admitted to the Rolls of England and Wales.

Ms Støvring is a Norwegian and US citizen and resides in Oslo, Norway. Business address: Aker Solutions ASA, Snarøyveien 36, 1364 Fornebu, Norway.

Ragnar Søegaard, Non-Executive Director
Mr Søegaard has over the last 16 years worked as CFO in the E-Co Energi Group, and has long experience from high-level managerial positions in large companies as well as comprehensive experience as a board member in Norwegian and international companies. He has broad background in management, finance and accounting, strategic planning, negotiations, and project management on an international level. Furthermore, he has experience from teaching and lecturing at university master-degree level. He is the author of "Cash management in Construction" and "Financial Accounting" and has published several articles in professional journals.

Mr Søegaard is a Norwegian citizen and resides in Oslo, Norway. Business address: c/o Panoro Energy ASA, Dronning Maudsgate 1-3, PO Box 1885 Vika, 0124 Oslo, Norway.

Tord Pedersen, Non-Executive Director
Tord Pedersen has 30 years' experience in international E&P activity. He has extensive experience in business development, contract negotiations and setting up new business in multiple locations in Africa, Middle East and South East Asia. For more than two decades he has held a variety of management positions, and recently joined Core Energy AS as a partner. Prior to this, he was the Managing Director for Endeavour Energy Norway since 2005. In April 2009 the German gas utility company VNG AG acquired the shares of Endeavour Energy Norway for $150 million and Mr. Pedersen continued in the position of Managing Director for the new company until resigning end 2010. From 2001 he worked for ConocoPhillips in the Middle East and Norway as Business Development Manager. Prior to this he worked 11 years for Saga Petroleum (later Norsk Hydro) overseeing international business development in SE Asia, Africa and Middle East. Tord holds a degree in geology from the University of Trondheim (1981).

Mr Pedersen is a Norwegian citizen and resides in Oslo, Norway. Business address: c/o Panoro Energy ASA, Dronning Maudsgate 1-3, PO Box 1885 Vika, 0124 Oslo, Norway.

Christine M.K. Wheeler, Non-Executive Director
Christine M.K. Wheeler commenced her career advising clients in the upstream sector of the oil industry when she joined Arthur Young, Chartered Accountants in 1973. She has advised on UK oil taxation issues since that time, including lobbying for fiscal changes. More recently, her advisory role has focused on structuring and commercial transactions from small farm-ins to acquisitions and disposals, the largest of which was US$2 billion. She was the head of the natural resources division of Ernst & Young and subsequently, for ten years, was the chairman of an independent consultancy. She now has an active consultancy which remains focused on exploration and production activities in the UK and overseas. Christine was also a non-executive director of Setanta Energy B.V. until 2009, an exploration and production company with its focus on West Africa. In 1994, she was awarded the OBE for services to the oil industry. She is the Chairman of Encore Oil plc (a UK focused exploration and production company listed on the Alternative Investment Market (AIM) on the London Stock Exchange). Ms Wheeler is Officer of the Order of the British Empire (OBE).

Ms Wheeler is a UK citizen and resides in London. Business address: 43-45 Portman Square, London W1H 6LY, United Kingdom.

12.2 MANAGEMENT

12.2.1 Overview

The senior management is responsible for the daily management and the operations of the Company.

12.2.2 Description of the management team

Kjetil Solbrække, Chief Executive Officer

In 1989 he completed his degree in Economics at the University of Oslo. After graduation he worked for the Ministry of Petroleum and Energy in Norway for six years. Mr. Solbrække joined Hydro in 1998, where he held many different positions including Chief Financial Officer and Senior Vice President of International Business Development. In 2005, Mr. Solbrække became the Country manager for Hydro Brazil, responsible for establishing Hydro Oil and Energy within Brazil. On October 1 2007, after the Statoil and Hydro merger, Mr. Solbrække was appointed Senior Vice President for the South Atlantic Region, with responsibility for Latin America and Africa in the Department of International Exploration and Production in the newly formed Norwegian oil and gas giant StatoilHydro, based in Oslo. He joined Norse in early 2008 as Chief Executive Officer of the Brazilian subsidiary, and continued as CEO of Panoro Energy ASA after divestment from Norse Energy and merger with Pan Petroleum in 2010.

Mr. Solbrække is a Norwegian citizen and resides in London, UK. Business address: Panoro Energy Limited, 43-45 Portman Square, London W1H 6LY, United Kingdom.

Anders Kapstad, Chief Financial Officer

Mr. Kapstad joined Norse Energy Corp in August 2005. Mr. Kapstad holds a Bachelor of Science degree from the University of San Francisco and an MBA from SDA Bocconi in Milan, Italy. Mr. Kapstad has 15 years of investment banking experience, holding positions within equity sales, portfolio management, private banking and corporate finance. He continued as CFO of Panoro Energy ASA after divestment from Norse Energy and merger with Pan Petroleum in 2010.

Mr. Kapstad is a Norwegian citizen and resides in Oslo, Norway. Business address: Panoro Energy ASA, Dronning Maudsgate 1-3, PO Box 1885 Vika, 0124 Oslo, Norway.

Nishant Dighe, Chief Operating Officer

Nishant Dighe is the COO of Panoro Energy. Nishant obtained a first class honours Master of Engineering degree in Chemical Engineering from Imperial College, London and a MBA from Warwick University. He initially worked for Mobil and ExxonMobil in the UK and US on assets located in Europe, US, Middle East and Africa. Following his MBA, Nish joined Marakon Associates a value based management consultancy. He re-joined the oil industry working for Sasol International, its upstream arm, working in both East and West Africa. Mr Dighe and Dr Phil Vingoe founded Pan-Petroleum in 2007.

Nishant Dighe is a British citizen and resides in London, UK. Business address: Panoro Energy Limited, 43-45 Portman Square, London W1H 6LY, United Kingdom.

Thor A. Tangen, EVP Field Development
He has 35 years of experience in the upstream Oil & Gas sector, mainly with Norsk Hydro and Statoil. Mr. Tangen has been project director/asset manager for a variety of large upstream initiatives (e.g., Njord, Troll Oil, Grane and Ormen Lange). All of these fields represented new innovative solutions in the Oil & Gas industry. Both Ormen Lange, a USD 10 billion natural gas field development, and Troll Oil, a USD 5 billion crude oil field development, received several international prizes for their successful technology applications.

Mr Tangen is a Norwegian citizen and resides in Oslo, Norway. Business address: Panoro Energy ASA, Dronning Maudsgate 1-3, PO Box 1885 Vika, 0124 Oslo, Norway.

12.3 THE NOMINATION COMMITTEE

The Company has a nomination committee consisting of 3 members elected by the annual general meeting for a two-year period. The Nomination Committee currently consists of Katherine Støvring, Petter Mannsverk Andresen and Erik Evjen. The majority of the nomination committee is independent of the board of directors and the day-to-day management. The nomination committee's duties are to propose to the general meeting shareholder elected candidates for election to the board of directors, and to propose remuneration to the board. The annual general meeting may adopt procedures for the nomination committee.

12.4 AUDIT COMMITTEE AND COMPENSATION COMMITTEE

The Board has an Audit Committee, consisting of 2 members. The members are independent of the executive management. The purpose of the committee is to assist the Board of Directors to serve as an independent, objective check and balance in the Company's financial reporting and internal control. The Audit Committee currently consists of Ragnar Søegaard (Chair) and Christine Wheeler.

Its responsibilities include:

- The integrity of the financial statements of the Company, including the audited annual and the unaudited quarterly financial statements.
- The independence, qualifications, performance and compensation of the Company's independent auditors.
- The performance of the Company's internal audit function.
- The Company's compliance with legal and regulatory policies.

The Board further appoints a Compensation Committee, currently consisting of 3 members. The members are to be independent of the executive management. The Compensation committee currently consists of Dr Phil Vingoe, Tord Pedersen and Katherine Støvring.

The Compensation Committee meets regularly, and the objective of the committee is to determine the remuneration strategy for the Company and to consider the compensation for the Company's CEO. The Compensation Committee presents its recommendations to the Board, whereby the Board of Directors decide upon the remuneration of the CEO. Remuneration to the CEO shall be at market terms and decided by the Board and made official at the AGM every year. The Board presents their declaration on determination of salaries and other remuneration to the executive management for approval by the Annual General Meeting.

12.5 SHARES ACQUIRED BY MEMBERS OF THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

The below table sets out the effective cash cost of Shares acquired in the Company by the current members of the Board of Directors and the senior management during the past year, as well as such persons' options to acquire Shares as of the date of the Prospectus. Persons who have not acquired Shares or rights to acquire Shares during the past year are not included. Furthermore, Shares acquired in connection with the Merger/Demerger are not included in the table below as these Shares were acquired under extraordinary circumstances and may thus not serve as a well-founded basis for comparison of the listed persons' average purchase/exercise price during the past year and the purchase price in the Subsequent Offering.

Name	**Position**	**Date**	**Number of Shares acquired**	**Options Acquired**	**Price per Share/Exercise price per option (NOK)**
Dr Philip A Vingoe	Chairman	Various dates 17 August 2010	100,000	 375,000[1]	5.2129 (average) 6.4928 (average)
Ragnar Thor Grundtvig Søegaard	Board member	Various dates	53,000		5.8622 (average)
Kjetil Solbrække	CEO	Various date 17 August 2010	235,000	 750,000[1]	6.0890 6.4928 (average)
Anders Kapstad	CFO	10 June 2010 17 August 2010	20,000	 500,000[1]	8.9915 (average) 6.4928 (average)
Nishant Dighe	COO	Various dates 17 August 2010	20,000	 500,000[1]	5.3432 (average) 6.4928 (average)
Thor Tangen	EVP Field Development	17 August 2010		500,000[1]	6.4928 (average)

[1] 1/3 of the options are vested each year. The first vesting period expires 17 august 2011

The effective cash contribution of the persons listed above, due to purchase of Shares, was NOK 2,622,521.60, giving an average purchase price of NOK 6.13 per Share, and the combined potential cash contribution of the persons listed above due to exercise of options (assuming exercise of all options granted) will be NOK 17,043,600 with an average exercise price of NOK 6.4928. Thus, the aggregate cash cost of the persons listed above due to purchase of Shares and potential exercise of options may be up to NOK 19,666,121.60 with an average purchase/exercise price of approximately NOK 6.44, while the Subscription Price in the Subsequent Offering is NOK 7.80 per Offer Share.

12.6 CONFLICT OF INTERESTS, ETC.

No potential conflict of interest between senior management and the directors' duties to the Company and their private interests and or other duties have been identified.

During the last five years preceding the date of this document, no member of the Board or the senior management has:

- Any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his capacity as a founder, director or senior manager of a company.

Over the five years preceding the date of this document, the member of the Board and the senior management hold or have held the following directorships (apart from their directorships of the Company and its subsidiaries) and/or partnerships:

Board of Directors:	**Current directorships/partnerships**	**Previous directorships/partnerships**
Dr Phil Vingoe		Board member Pan-Ocean Energy Corporation Ltd. Executive Director Pan-Petroleum Ltd Energy Equity Resources (Norway) Ltd
Katherine H. Støvring	Board Member Norse Energy Corp. ASA Aladdin Oil and Gas Corporations ASA	In Salah Gas Services (Jersey)
Ragnar Søegaard	Chairman Ruter AS Chairman Croatian Development II Chairman Norwegian Electricity Cooperation Board member Clean Energy Invest AS Chairman RS Consult Chairman Energiselskapet Buskerud	Chairman Multiconsult AS Vice chairman E-CO Vannkraft AS Board member Small Turbine Partner AS Board member Hybrid Energi AS Board member Mallin AS Board member Mallin Eiendom AS Board member 99X AS Board member Eurocenter DDC, Sri Lanka
Tord Pedersen		Board member Pan-Petroleum Ltd. Endeavour Energy Norge AS
Christine M.K. Wheeler	EnCore Oil plc (chairman) EnCore Exploration Limited EnCore Oil and Gas Ltd EnCore Petroleum Limited EnCore Natural Resources Limited	Setanta Energy BV Setanta Energy Manco Limited Cruisaid Crusaid Enterprises Ltd. Piper Consulting Limited

	EnCore North Sea Limited Christine Wheeler & Associates Limited	

No board member has private interests of relevance and there are no other understandings or agreements with major shareholders in respect of selection of board members.

Management:	**Current directorships/partnerships**	**Previous directorships/partnerships**
Kjetil Solbrække	None	None
Anders Kapstad	Chairman La Barra Capital AS	Board Member Primera Management AS Chairman La Barra Capital AS
Nishant Dighe	None	None
Thor Tangen	None	None

12.7 REMUNERATION AND BENEFITS

12.7.1 Remuneration of the Board and Management

The Board and management of the Company were in 2010 remunerated in accordance to the following:

Expensed remuneration paid to the Board of Directors:

Name	**Position**	**Directors' fee 2010** *USD 1,000*	**Options awarded in 2010**
Phil Vingoe	Chairman	52	375,000
Tord Pedersen	Board member	35	-
Katherine Støvring	Board member	46	-
Christine Wheeler	Board member	35	-
Ragnar Søegaard	Board member	46	-

Management compensation in 2010:

Name and position	Salary	Bonus	Employee benefits	Pension	No. options awarded in 2010	Expensed option cost *USD 1,000*
Kjetil Solbraekke, CEO	570	584	76	3	750,000	81
Anders Kapstad, CFO	426	115	21	23	500,000	54
Nishant Dighe, COO	157	94	8	23	500,000	54
Thor Tangen, EVP Field Development	251	66	2	13	500,000	54

The compensation of Kjetil Solbraekke represents 7 months compensation under Panoro Energy and 5 months under NeDB.

The compensation of Anders Kapstad and Thor Tangen represents 7 months compensation under Panoro Energy and 5 months compensation under Norse Energy Corporation. The 5 months' compensation is 40% of the total compensation paid by Norse Energy Corporation, an allocation in harmony with the demerger agreement.

The compensation of Nishant Dighe represents 6 months of compensation under Panoro Energy since the merger.

Split of options awarded 2010:

Name	Position	Program	Options awarded	Strike price NOK	Vesting period	Options vested	Expiration date	Options exercised	Options outstanding
Phil Vingoe	Chairman	ESOP	125,000	6.00-6.48	1 yr	-	17.08.13	-	125,000
		ESOP	125,000	6.48-7.00	2 yrs	-	17.08.14	-	125,000
		ESOP	125,000	7.00-7.56	3 yrs	-	17.08.15	-	125,000
Kjetil Solbraekke	CEO	ESOP	250,000	6.00-6.48	1 yr	-	17.08.13	-	250,000
		ESOP	250,000	6.48-7.00	2 yrs	-	17.08.14	-	250,000
		ESOP	250,000	7.00-7.56	3 yrs	-	17.08.15	-	250,000
Anders Kapstad	CFO	ESOP	166,666	6.00-6.48	1 yr	-	17.08.13	-	166,666
		ESOP	166,667	6.48-7.00	2 yrs	-	17.08.14	-	166,667
		ESOP	166,667	7.00-7.56	3 yrs	-	17.08.15	-	166,667
Nishant Dighe	COO	ESOP	166,666	6.00-6.48	1 yr	-	17.08.13	-	166,666
		ESOP	166,667	6.48-7.00	2 yrs	-	17.08.14	-	166,667
		ESOP	166,667	7.00-7.56	3 yrs	-	17.08.15	-	166,667
Thor Tangen	EVP, Field	ESOP	166,666	6.00-6.48	1 yr	-	17.08.13	-	166,666
	Develop.	ESOP	166,667	6.48-7.00	2 yrs	-	17.08.14	-	166,667
		ESOP	166,667	7.00-7.56	3 yrs	-	17.08.15	-	166,667

ESOP = Employee Share Option Programme

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

The general meeting in August 2010 approved the remuneration to the Board of Directors for 2010 fixed to NOK 550,000 per annum to the Chairman of the Board and NOK 350,000 per annum to each Board Member. In addition, the remuneration for participation in the Board of Director's subcommittees is fixed to NOK 50,000 to the Chairman of the Board and each Board Member.

On 17 August 2010 the Board of Directors approved an option program to employees and the Chairman of the Board. The Board issued 7,000,000 options, where each option gives the right to acquire one Share. The vesting period for the options is over a three year period, with 1/3 of the options exercisable each year. The strike price of the options is NOK 6.0 per Share, which is to be increased by 8 per cent after year two and additional 8 per cent annually thereafter. Accordingly, 2,333,333 options has a vesting period until Aug 17, 2011 and can be exercised until 17 August 2012 at NOK 6.0 or until 17 August 2013 at NOK 6.48; 2,333,333 options has a vesting period until 17 August 2012 and can be exercised until 17 August 2013 at NOK 6.48 or until 17 August 2014 at NOK 7.0; and 2,333,333 options has a vesting period until 17 August 2013 and can be exercised until 17 August 2014 at NOK 7.0 or until 17 August 2015 at NOK 7.56.

Of the 7,000,000 options granted during 2010, 5,565,000 options are outstanding at the date of this prospectus that have been allocated to key employees and the Chairman of the Board. None of these options have vested. The remaining options will be distributed to other employees of the company under the same conditions.

The Chairman of the Board, Phil Vingoe, was granted 375,000 options, which is the total number of options held by Mr Vingoe per the date of this Prospectus. In addition, Mr. Vingoe controls 1,339,669 shares in the Company per the date of this Prospectus.

The key employees who were granted options:

- **Kjetil Solbrække, CEO**, 750,000 options, which is the total number of options held by Mr Solbrække per the date of this Prospectus. In addition, Mr. Solbrække controls 376,823 shares in the Company per the date of this Prospectus.
- **Anders Kapstad, CFO**, 500,000 options, which is the total number of options held by Mr Kapstad per the date of this Prospectus. In addition, Mr. Kapstad controls 60,850 shares in the Company per the date of this Prospectus.
- **Nishant Dighe, COO**, 500,000 options, which is the total number of options held by Mr Dighe per the date of this Prospectus. In addition, Mr. Dighe controls 1,259,669 shares in the Company per the date of this Prospectus.
- **Thor Tangen, EVP Field Development**, 500,000 options, which is the total number of options held by Mr Tangen per the date of this Prospectus. In addition, Mr. Tangen controls 11,000 shares in the Company per the date of this Prospectus.
- **Phil Vingoe, Chairman of the Board**, 375,000 options, which is the total number of options held by Mr Vingoe per the date of this Prospectus. In addition, Mr. Vingoe controls 1,339,669 shares in the Company per the date of this Prospectus.
- **Richard Morton, VP Nigeria**, 250,000 options, which is the total number of options held by Mr Morton per the date of this Prospectus. In addition, Mr. Morton controls 35,132 shares in the Company per the date of this Prospectus.
- **Carl Peter Berg, General Manager Brazil**, 175,000 options, which is the total number of options held by Mr Berg per the date of this Prospectus. In addition, Mr. Berg controls 57,750 shares in the Company per the date of this Prospectus.
- **Didier Goudant, Senior Legal advisor**, 175,000 options, which is the total number of options held by Mr Goudant per the date of this Prospectus. In addition, Mr. Goudant controls 27,102 shares in the Company per the date of this Prospectus.

- **Rebecca Sanderson, Financial Controller**, 175,000 options, which is the total number of options held by Ms Sanderson per the date of this Prospectus. In addition, Ms. Sanderson controls 30,113 shares in the Company per the date of this Prospectus.
- **Qazi Qadeer, Deputy Financial Controller**, 175,000 options, which is the total number of options held by Mr Qadeer per the date of this Prospectus.
- **Jonas Gamre, Finance & Investor Relations Manager**, 175,000 options, which is the total number of options held by Mr Gamre per the date of this Prospectus. In addition, Mr. Gamre controls 12,500 shares in the Company per the date of this Prospectus.
- **Therese Fuglerud, Group Administration Manager**, 100,000 options, which is the total number of options held by Ms Fuglerud per the date of this Prospectus.

Kjetil Solbrække received in total salary including bonuses of USD 529,000 in 2009, as managing director of NEdb, and USD 1,154,000 in 2010, as CEO of Panoro Energy. Anders Kapstad received a total salary including bonus of USD 425,000 in 2009, as CFO of Norse Energy, and USD 541,000 in 2010, as CFO of Panoro Energy. Annual pension cost for the CFO is USD 7,500.

12.7.2 Benefits upon termination of employment

The CEO of Panoro Energy has an agreement of two years' salary in case of change of control. The CFO, COO and EVP Field development have agreement of one year salary in case of change of control. Finally, the General Manager Brazil has an agreement of two months' salary in case of resignation. No other members of the administrative, management or supervisory bodies' have currently entered into any service contracts with the Company or any of its subsidiaries providing for benefits upon termination of their employment.

12.7.3 Pension obligations

Panoro Energy in Oslo and Panoro Energy Ltd in London have established pension plans for all employees. The Panoro Energy does not have any pension plans in place for employees in Brazil or West-Africa. The subsidiaries in Brazil, Norse Energy do Brasil and Rio das Contas Produtora de Petróleo comply with all labour law requirements for pension plan and both have in place a voluntary saving plan since 2007. The Group contributes to external pension providers, and as such there is no liability in the Company's books for pension liabilities.

12.7.4 Loans and Guarantees

The Company has a long term note receivable to Kjetil Solbrække, CEO Brazilian operations, of USD 1.2 million. The note principal is due in March 2013 and carries an interest of 3%.

12.8 EMPLOYEES

As of the date of this Prospectus, the Company has 36 employees based in Oslo, London, Rio de Janeiro and Pointe Noire. The table below illustrates the development in number of employees over the last years connected to the Brazilian operations of Norse Energy Corp., as per the end of each calendar year from 2006, and Panoro Energy as of 31 December 2010

Year	As of date	Total
2010	31 December	36
2009	31 December	20
2008	31 December	30
2007	31 December	26
2006	31 December	22

13. SHARE CAPITAL AND SHAREHOLDER MATTERS

The following description includes certain information concerning the Company's share capital, a brief description of certain provisions contained in the Company's Articles of Association and Norwegian law in effect as of the date of this Prospectus. Any change in the Articles of Association is subject to approval by a general meeting of shareholders. This summary does not intend to be complete and is qualified in its entirety by the Company's Articles of Association and Norwegian law.

13.1 SHARE CAPITAL AND SHARES

13.1.1 Share capital

As of the date of this Prospectus, Panoro Energy's registered share capital is NOK 342,403,342.90 divided into 234,447,081 Shares each with a nominal value of NOK 1.460471768. All the Shares are authorised and fully paid.

The Company has one class of shares, each Share carrying equal shareholder rights, including voting rights at general meetings. The Company's articles of association does not provide for limitations on the transferability or ownership of Shares.

The Shares have been created under the Norwegian Public Limited Liability Companies Act and registered in book-entry form with the VPS under the International Securities Identification Number (ISIN) NO 001 0564701. The registrar for the Shares is Nordea Bank Norge ASA, Registrars department, Essendrops gate 7, 0368 Oslo, Norway.

13.1.2 Treasury Shares

As of the date of this Prospectus, Panoro Energy does not own any treasury shares.

13.1.3 Warrants and convertible loans

On 15 June 2010, Panoro Energy issued 7.5 million warrants (*No: frittstående tegningsretter*). The warrants were issued as part of the Demerger, and were issued to holders of NEC-J warrants per 14 June 2010. The warrants are listed on Oslo Børs under the ticker code "PEN-J", and are registered in the VPS with ISIN NO 001 0577273. Each warrant gives the holder right to 1 new Share at a strike price of NOK 15.71. The warrants can be exercised until and including 1 July 2011.

Panoro Energy has not per the date of this Prospectus issued any convertible loans.

13.1.4 Options

On 17 August 2010 the Board of Directors approved an option program to employees and the Chairman of the Board. The Board issued 7,000,000, where each option gives the right to acquire one Share. The vesting period for the options is over a three year period, with 1/3 of the options exercisable each year. The strike price of the options is NOK 6.0 per Share, which is to be increased by 8 per cent after year two and additional 8 per cent annually thereafter. Accordingly, 2,333,333 options has a vesting period until Aug 17, 2011 and can be exercised until 17 August 2012 at NOK 6.0 or until 17 August 2013 at NOK 6.48; 2,333,333 options has a vesting period until 17 August 2012 and can be exercised until 17 August 2013 at NOK 6.48 or until 17 August 2014 at NOK 7.0; and 2,333,333 options has a vesting period until 17 August 2013 and can be exercised until 17 August 2014 at NOK 7.0 or until 17 August 2015 at NOK 7.56.

The Company has, in connection with the acquisition of Prevail Energy Congo Limited, entered into an agreement with Prevail Energy Holdings Ltd pursuant to which Prevail Energy Holdings Ltd has been granted an option to subscribe for Shares provided that certain production targets are met (the "Prevail Option") as a contingent payment for the assets. The maximum amount of Shares that may be issued under the Prevail Option is 4,362,184 Shares. The exercise price for the Prevail Option is NOK 1.460471768 per Share issued (the nominal value of the Share).

Other than as set out above, Panoro Energy has not issued other options to acquire Shares.

13.1.5 Outstanding authorisations

In an extraordinary general meeting on 12 August 2010, Panoro Energy's Board of Directors were granted the following authorisations to increase Panoro Energy's share capital through issuance of new shares:

1. The Board of Directors was authorised to increase the share capital by up to NOK 23,244,008.18 by issuance of new shares in the company. The authorisation may be used for necessary strengthening of the Company's equity and for issuing shares as consideration shares in acquisition of businesses within the company's purpose. The authorisation is valid until the ordinary general meeting in 2011, however not longer than until 30 June 2011. Shareholders' pre-emption right can be set aside when using the authorisation. The authorisation includes share capital increases against contribution in kind or the right to incur the company special obligations. The authorisation does not include decision to merge.

2. The Board of Directors was authorised to increase the share capital by up to NOK 15,563,605.03 by issuance of new shares in the company. The authorisation may be used to issue shares to the company's employees and leading personnel under the company's incentive program. The authorisation is valid until the ordinary general meeting in 2011, however not longer than until 30 June 2011. Shareholders' pre-emption right can be set aside when using the authorisation. The authorisation includes share capital increases against contribution in kind or the right to incur the company special obligations. The authorisation does not include decision to merge.

3. The Board of Directors was authorised to increase the share capital by up to NOK 6,371,927.33 by issuance of new shares in the company. The authorisation may be used to issue shares to Prevail Energy Holdings Ltd. The authorisation is valid until the ordinary general meeting in 2011, however not longer than until 30 June 2011. Shareholders' pre-emption right can be set aside when using the authorisation. The authorisation includes share capital increases against contribution in kind or the right to incur the company special obligations. The authorisation does not include decision to merge.

As of the date of this Prospectus, the Board of Directors has used the Board Authorisation (number one above) to issue 16,394,708 Shares in connection with the Private Placement. Thus, the Board of Directors may not issue any further Shares pursuant to the Board Authorisation. As of the date of this Prospectus, no Shares have been issued pursuant to the authorisations under number two and three above.

As of the date of this Prospectus, the Board of Directors does not have any authorisations to acquire treasury shares, to issue independent subscription rights or convertible loans.

The above authorisations represent in aggregate an authorisation for the Board of Directors to issue up to 15,019,484 new Shares of par value NOK 1.460471768 each.

13.1.6 Transferability and foreign ownership

There are no restrictions on trading in the Company's Shares and no restrictions on foreign ownership of the Company's Shares.

13.1.7 Legislation and rights attached to the Shares

Reference is made to the review of legislation and rights attached to the Company's Shares in Section 13.4 "The Articles of Association and general shareholder matters".

13.1.8 Mandatory offers

Section 13.4.6 "Mandatory offer requirement" outlines the legislation on mandatory offers applicable to Norwegian companies listed on Oslo Børs. The Company has not been subject to any public take-over bids the last 12 months.

13.1.9 Withholding tax

Section 14.3.1 of this Prospectus provides information concerning withholding tax for foreign shareholders.

13.2 HISTORICAL DEVELOPMENT IN SHARE CAPITAL AND NUMBER OF SHARES

Below is a table showing the development in the number of Shares and the share capital of Panoro Energy since incorporation on 6 May 2009 until the date of the Prospectus (all figures in NOK).

Year	Type of change	Change in share capital	Subscription price	Total issued share capital	No of shares
6 May 2009	Incorporation	100,000	1,000	100,000	100
7 January 2010	Capital increase	900,000	1,000	1,000,000	1000
7 June 2010	Capital reduction pre Demerger	1,000,000		0	0
7 June 2010	Capital Increase upon completion of Demerger	68,372,651.79	12.5958	68,372,651.79	46,815,456
7 June 2010	Capital Increase	22,320,203.09	12.5958	90,692,854.88	62,098,328
29 June 2010	Capital Increase	21,769,444.62	12.5958	112,426,299.50	76,979,440
29 June 2010	Capital increase (completion of Merger)	126,977,783.78	12.5958	239,440,083.25	163,947,081
15 February 2011	Capital increase (Private Placement)	23,944,008.18	7.80	263,384,091.43	180,341,789
7 March 2011	Capital Increase (Private Placement)	79,019,251.47	7.80	342,403,342.89	234,447,081

Apart from the table above, there have not been any changes in the Company's share capital since the Company's incorporation. Accordingly, as of 1 January 2010 and 1 January 2011, the Company had a total of number of shares of 100 and 163,947,081 respectively, each with a nominal value of NOK 1,000 and NOK 1.460471768 respectively. As a result of the Merger and the Demerger, more than 10% of the Company's share capital has been paid for with assets other than cash.

13.3 MAJOR SHAREHOLDERS

The 20 largest shareholders in Panoro Energy ASA as appearing in the company's share register per 28 February 2011 are shown in the table below:

	Investor	Shares	%	Type
1	BNY MELLOM INTERNATIONAL BANK LTD	52 258 149	28.98%	Comp.
2	BNY MELLOM INTERNATIONAL BANK LTD	38 453 423	21.23%	Comp.
3	BANK OF AMERICA MERRILL LYNCH	6 123 260	3.40%	Nom.
4	BNY MELLOM INTERNATIONAL BANK LTD	4 780 604	2.65%	Comp.
5	BNY MELLOM INTERNATIONAL BANK LTD	4 780 604	2.65%	Comp.
6	VARMA-SAMPO MUTUAL PENSION	4 218 746	2.34%	Comp.
7	DWPBANK AG	2 237 177	1.24%	Nom.
8	PRINCE STREET OPPORTUNITIES LIMITE	1 805 579	1.00%	Comp.
9	BNY MELLOM INTERNATIONAL LTD	1 594 792	0.88%	Comp.
10	GOLDMAN SACHS & CO – EQUITY	1 588 769	0.88%	Nom.
11	VINGOE PHILIP ARTHUR	1 339 669	0.74%	Priv.
12	DNB NOR SMB VPF	1 278 830	0.71%	Comp.
13	GOLDMAN SACHS INT. – EQUITY	1 277 083	0.71%	Comp.
14	DIGHE NISHANT SURENDRA	1 259 669	0.70%	Priv.
15	JPMORGAN CHASE BANK	1 067 398	0.59%	Nom.
16	PRINCE STREET INTL LTD	1 028 207	0.57%	Comp.
17	BNP PARIBAS SECS SERVICES PARIS	1 025 486	0.57%	Nom.
18	MP PENSJON PK	881 733	0.49%	Comp.
19	UBS AG, LONDON BRANCH	878 151	0.49%	Nom.
20	CREDIT SUISSE SECURITIES	872 177	0.48%	Nom.

Panoro Energy's largest shareholder are sub-funds of Sector Umbrella Trust, a trust established under the laws of Ireland, acting through and managed by Sector Omega ASA pursuant to an investment management agreement between Sector Asset Management Ltd, as Managers of Sector Umbrella Trust, and Sector Omega ASA (hereinafter referred to as "Sector"). Following the approval of this Prospectus, Sector aggregate holding of listed shares will be 108,090,832 shares equalling 46.1% of the issued shares in Panoro.

In accordance with the disclosure obligations under the Norwegian Securities Trading Act, shareholders acquiring ownership to or control over 5% or more of the share capital of a company listed on Oslo Børs must notify the stock exchange immediately. The table above shows the percentage held by such notifiable shareholders.

All Shares carry equal voting rights and the major shareholders in Panoro Energy do not have different voting rights.

The Company is not aware of any arrangements that may result in, prevent or restrict a change of control of the Company.

13.4 THE ARTICLES OF ASSOCIATION AND GENERAL SHAREHOLDER MATTERS

13.4.1 The Company's objects and purpose

The Articles of Association of the Company are included as Appendix 1 to this Prospectus. According to Section 1 of the Articles of Association, the Company's business shall consist of exploration, production, transportation and marketing of oil and natural gas and exploration and/or development of other energy forms, sale of energy as well as other related activities. The business might also involve participation in other similar activities through contribution of equity, loans and/or guarantees.

13.4.2 The General Meeting of shareholders

The following matters will be considered and decided by the annual general meeting:

1. Approval of the profit and loss statement and balance sheet, including application of the profit for the year or coverage of the loss for the year.

2. Election of board of directors and auditor, and determination of their remuneration.

3. Other issues which pursuant to law or the articles of association are to be decided by the annual general meeting.

If documents that shall be considered at the general meeting are made available to the shareholders on the Company's website, the Companies Act request to send these documents to shareholders does not apply. This shall also apply for documents that, pursuant to law or regulations, shall be included in or attached to the notice of the general meeting. A shareholder may nevertheless upon request to the Company have the documents that shall be considered at the general meeting sent free of charge by mail.

The annual general meeting and the extraordinary general meeting is called with a three week notice period. Registrations for the Company's general meetings must be received at least five calendar days before the meeting is held.

13.4.3 The Board of Directors

Pursuant to the Section 5 of the Articles of Association, the board of directors shall consist of 3 to 8 members.

13.4.4 The Company's signature

Pursuant to the Section 6 of the Articles of Association, the power to sign for the company is exercised by the chairman of the board alone or by two board members jointly.

13.4.5 The Nomination Committee

Pursuant to the Section 8 of the Articles of Association, the Company shall have a nomination committee consisting of 2 or 3 members to be elected by the annual general meeting for a term of two years. The majority of the nomination committee shall be independent of the board of directors and the day to day management. The nomination committee's duties are to propose to the general meeting shareholder elected candidates for election to the board of directors, and to propose remuneration to the board. The annual general meeting may adopt procedures for the nomination committee.

13.4.6 Voting rights and other shareholder rights

Panoro Energy has one class of shares, and each Share carry equal voting rights at the general meeting. The Articles of Association do not contain stricter restrictions for changing of the rights of the holders of the Shares than those which follow from the Public Limited Liability Companies Act.

As a general rule, resolutions that shareholders are entitled to make pursuant to Norwegian law or the Company's Articles of Association, requires approval by a simple majority of the votes cast. In the case of election of directors to the Board, the person who obtains the most votes is elected to fill the vacant position. However, as required under Norwegian law, certain decisions, including resolutions to waive pre-emptive rights in connection with any issue of shares, convertible bonds, warrants etc., to approve a merger or demerger, to amend the Company's Articles of Association, to authorise an increase or reduction in the share capital, to authorise an issuance of convertible loans or warrants or to authorise the Board to purchase the Company's own Shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a shareholders' meeting. Further, Norwegian law requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval of all the holders of such shares or class of shares as well as the majority required for amendments of the Company's Articles of Association. Decisions that (i) would reduce any existing shareholder's right in respect of dividend payments or other rights to the assets of the Company or (ii) restrict the transferability of the shares require a majority vote of at least 90% of the share capital represented at the general meeting in question as well as the majority required for amendments to the Company's Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amendments to the Company's Articles of Association. The Articles of Association of the Company do not contain conditions that are more significant than required by the Norwegian Public Limited Liability Companies Act, including with regard to (i) what action is necessary to change the rights of holders of the Shares, and (ii) changes in capital.

In general, in order to be entitled to vote, a shareholder must be registered as the beneficial owner of Shares in the share register kept by the VPS. Beneficial owners of Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor are any persons who are designated in the register as holding such Shares as nominees.

Readers should note that there are varying opinions as to the interpretation of Norwegian law in respect of the right to vote nominee-registered shares. For example, Oslo Børs has in a statement on 21 November 2003 held that in its opinion "nominee-shareholders" may vote in general meetings if they prove their actual shareholding prior to the general meeting.

Under the Public Limited Companies Act shareholders will have preferential rights to subscribe for new securities issued by the Company, unless such rights are waived with 2/3 majority.

A shareholder will have right to a share in the profits of the Company that are distributed as dividend, as well as any surplus following liquidation of the Company. There is no time limit after which entitlement to dividends lapses under the Norwegian Public Limited Companies Act or the Company's articles of association. Furthermore, there are no dividend restrictions for non-resident shareholders. See section 14 below for a description of the Norwegian tax rules that apply to dividend paid to Norwegian and foreign shareholders.

The shares are not subject to redemption rights with the exemption provided for below under "Compulsory Acquisition". There are no conversion provisions applicable to the Shares.

13.4.7 Mandatory offer requirement

The current mandatory offer regulations are included in chapter 6 of the Securities Trading Act, which came into force on 1 January 2008. The mandatory offer regulations are in compliance with EU's Take-Over-Directive (Directive 2004/25/EF).

Chapter 6 of the Norwegian Securities Trading Act requires any person or entity acting in concert that acquires more than 1/3 of the voting rights of a Norwegian company listed on a Norwegian regulated market to make an unconditional general offer for the purchase of the remaining shares in the company. A mandatory offer obligation may also be triggered where a party acquires the right to become owner of shares which together with the party's shareholding represent more than 1/3 of the voting rights in the company and Oslo Børs decides that this must be regarded as an effective acquisition of the shares in question.

The offer is subject to approval by Oslo Børs before submission of the offer to the shareholders. The offer price per share must be at least as high as the highest price paid or agreed by the offeror in the six-month period prior to the date the 1/3 threshold was exceeded, but equal to the market price if the market price was higher when the 1/3 threshold was exceeded. In the event that the acquirer thereafter, but prior to the expiration of the bid period acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price. A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. A shareholder who fails to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply (i.e. to reduce the ownership to a level below 1/3). Otherwise, Oslo Børs may cause the shares exceeding the 1/3 limit to be sold by public auction. Until the mandatory bid is given or the shares exceeding the 1/3 threshold are sold, the shareholder may not vote for shares exceeding the 1/3 threshold, unless a majority of the remaining shareholders approve. The shareholder can, however, exercise the right to dividends and preferential rights in the event of a share capital increase. Oslo Børs may impose a daily fine upon a shareholder who fails to make the required offer or sell down below 1/3.

A shareholder or consolidated group that owns shares representing more than 1/3 of the votes in a Norwegian company listed on a Norwegian regulated market, and that has not made an offer for the purchase of the remaining shares in the Company in accordance with the provisions concerning mandatory offers (e.g., due to available exemptions), is, in general, obliged to make a mandatory offer in the case of each subsequent acquisition that increases his proportion of the voting rights. There are, however, exceptions to this rule. Furthermore, the rule does not apply for a shareholder or a consolidated group that, upon admission of the company to listing on a regulated market, owns shares representing more than 1/3 of the voting rights in the Company. However, if such shareholder or consolidated group acquires shares representing more than 40% or 50% of the voting rights in the Company, a mandatory offer obligation is, in general, triggered.

The obligation to make a mandatory offer will be repeated at acquisition of shares representing 40% or more and 50% or more of the voting rights in the Company.

The Company has not received any takeover bids or bids to acquire controlling interest during the last 12 months.

13.4.8 Compulsory Acquisition

In accordance with Section 4-25 of the Norwegian Public Limited Liability Companies Act (cf. Section 6-22 of the Norwegian Securities Trading Act), a shareholder who, directly or via subsidiaries, acquires shares representing more than 90% of the total number of issued shares in a Norwegian public limited liability company, as well as more than 90% of the total voting rights attached to such shares, has a right (and each remaining minority shareholder of the company have a right to require such majority shareholder) to effect compulsory acquisition for cash of the shares not already owned by the majority shareholder. Such compulsory acquisition would imply that the majority shareholder has become owner of the thus acquired shares with immediate effect. If a majority shareholder holding 90% of the shares and votes has not completed a mandatory offer, he/she/it will have to do so simultaneously with the compulsory acquisition under the current legislation. Upon effecting the compulsory acquisition, the majority shareholder shall offer the minority shareholders a specific price per share, the determination of which will be at the discretion of the majority shareholder. However, pursuant to Section 6-22 of the Norwegian Securities Trading Act, in the event such compulsory acquisition is commenced within three months after expiry of a mandatory offer period as described in Section 13.4.6 “Mandatory offer requirement” and there are no particulate reasons that call for another price to be set, the price offered by the majority shareholder shall be equal to the mandatory offer price. Should any minority shareholder not accept the offered price, such minority shareholder may, within a fixed two months’ deadline, request that the price be set by the Norwegian courts. Minority shareholders, who have not submitted such request, or other objection to the price being offered, will be deemed to have accepted the price offered by the majority shareholder upon expiration of the two months’ period. The cost of such court procedure would, as a general rule, be on the account of the majority shareholder, and the courts would have full discretion in respect of the valuation of the shares as per the effectuation of the compulsory acquisition.

13.4.9 Disclosure Obligations

Pursuant to the Norwegian Securities Trading Act, a person, entity or group acting in concert that acquires shares, options for shares or other rights to shares resulting in its beneficial ownership, directly or indirectly, in the aggregate meeting or exceeding the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 and 90% of the share capital and/or the voting rights in the Company has an obligation under Norwegian law to notify Oslo Børs and the Company immediately. The same applies to disposals of shares (but not options or other rights to shares) resulting in a beneficial ownership, directly or indirectly, in the aggregate falling below said thresholds. A change in ownership level due to other circumstances may also trigger the notification obligations when said thresholds are passed, e.g. changes in the Company’s share capital.

13.4.10 Insolvency/Liquidation

According to the Norwegian Public Limited Liability Companies Act, the Company may be liquidated by a resolution in a general meeting of the Company passed by a two-thirds majority of the aggregate votes cast as well as two thirds of the aggregate share capital represented at such meeting. The Shares rank pari passu in the event of a return on capital by the Company upon a liquidation or otherwise.

In the event a resolution to liquidate the Company has been made, the Company's assets shall be transformed to cash in order to cover the Company's contractual obligations and for distribution to the shareholders as long as the shareholders have not accepted to receive the dividends in kind.

13.5 SHAREHOLDER AND DIVIDEND POLICY

13.5.1 Shareholder policy

Any acquisition of own shares will be at market price, and the Company will not deviate from the principle of unreasonable unequal treatment of all shareholders.

13.5.2 Dividend policy

The Company's objectives are to create lasting values and provide competitive returns to its shareholders through profitability and growth.

Long-term returns to shareholders should reflect the value created in the Company in the form of increased share price as well as dividends.

Dividends should arise in line with the growth in the Company's results while at the same time recognizing the need for financial preparedness for cyclical market movements, as well as opportunities for adding value through new profitable investments.

Over time, value added will be reflected to a greater extent by an increased share price, rather than through dividend distributions.

The Company has not paid any dividend since its incorporation in 2009.

13.6 SHAREHOLDER AGREEMENTS

The Company is not aware of any shareholder agreements among its investors.

13.7 CORPORATE GOVERNANCE

The principle behind good corporate governance is to establish and maintain a strong, sustainable and competitive company in the best interest of the shareholders, employees, business associates, third parties and society at large.

The Board acknowledges the Norwegian Code of Practice for Corporate Governance of 21 October 2010 (the "Code"), and the principle of comply or explain. The Board has implemented the Code and will use its guidelines as the basis for the Board's governance duties. As of the date of this Prospectus, the Company is in compliance with the Code with the following qualification:

On 17 August 2010, Dr Phil Vingoe, Chairman of the Board, was granted 375,000 options to subscribe for Shares in Panoro Energy. Pursuant to section 11 of the Norwegian Code of Practice for Corporate Governance, it is recommended that options are not issued to members of the board of directors. Mr Vingoe has made significant contribution to the Company's development into what it is today, and the Board has taken the view that it will be in the best interest of the Group that Mr Vingoe is incentivised to continue these efforts going forward, and that this can partly be achieved by granting him the above mentioned options.

14. NORWEGIAN TAXATION

14.1 INTRODUCTION

This subsection presents a brief outline of certain tax aspects under Norwegian law related to holding and disposal of shares in the Company. The presentation is based on Norwegian tax regulations in force as of the date of this Prospectus and describes the tax situation for Norwegian shareholders (shareholders with Norwegian tax residence) and withholding tax for non-Norwegian shareholders (shareholders not having Norwegian tax residence). The presentation does not concern tax issues for the Company.

The presentation does not include any information with respect to taxation in any other jurisdiction than Norway, and the presentation only focuses on the shareholder categories explicitly mentioned below. Hence, the presentation does inter alia not exhaustively cover the tax situation for non-Norwegian shareholders holding or disposing off shares in the Company through a Norwegian permanent establishment. Further, special rules, which are not mentioned below, may apply to shareholders which are transparent entities for tax purposes and for shareholders that have moved or will move out of Norway (exit taxation).

The presentation is of general nature and is not intended to be an exhaustive analysis of all possible tax aspects relating to shares in the Company or dividends paid from the Company. Accordingly, prospective holders of shares in the Company should consult their tax advisors as to the consequences under the tax regulations of Norway and elsewhere.

The presentation is subject to any amendments to tax laws and regulations that may occur after the date of this Prospectus, including any retroactive enforcement.

Please note that for the purpose of this subsection, a reference to a Norwegian or foreign shareholder refers to the tax residency *rather than* not the nationality of the shareholder.

14.2 NORWEGIAN SHAREHOLDERS

14.2.1 Taxation of dividends

14.2.1.1 Norwegian Personal Shareholders

The tax-free return is calculated annually for each share and pertains to the owner of the share at the end of the year. The tax-free return is calculated on the basis of the shareholder's cost price on the share multiplied with a statutory risk-free interest rate. The risk-free interest rate is determined on the basis of the average observed interest rate on 3-months Treasury bills, as published by the Central Bank of Norway (Norwegian: Norges Bank), adjusted downwards by 28 per cent (i.e. after tax interest rate). The risk-free interest rate is calculated and announced by the Norwegian Tax Directorate in January in the year after the income year; i.e. the risk-free interest rate for 2011 will not be decided before January 2012. For the income year 2010, the risk-free interest rate is fixed at 1.6 pct.

If the actual distributed dividends for one year are less than the calculated tax-free return (calculated for each share), the surplus tax-free return can be carried forward to be set-off against dividends or capital gains on the same share for subsequent years (any surplus tax-free return on one share cannot be set-off against dividends or capital gains on other shares). Furthermore, any such surplus tax-free return will be added to the basis for calculating the annual tax-free return on the share for subsequent years.

14.2.1.2 Norwegian corporate shareholders

Dividends distributed from the Company to Norwegian limited liability companies and similar entities ("corporate shareholders") are tax exempt; provided, however, that 3 per cent of such dividends will be included in the tax base and taxable at a rate of 28 per cent, implying a 0.84 per cent effective tax rate for Norwegian corporate shareholders on dividends from the Company.

14.2.2 Taxation of capital gains

14.2.2.1 Norwegian personal shareholders

Sale, redemption or other disposal of shares is considered as a realization for Norwegian tax purposes.

A capital gain or loss generated by a Norwegian personal shareholder through a realization of shares in the Company is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of ordinary income in the year of realization. Ordinary income is taxable at a rate of 28 per cent. Gains are taxable and losses are deductible irrespective of the duration of the ownership and the number of shares owned and/or disposed of.

The gain or loss is calculated as net consideration for the share less the cost price on the share and any surplus tax-free return on the share at the time of disposal (as a result of non-utilization of the calculated annual tax-free returns). However, any surplus tax-free return may only be deducted in order to reduce a capital gain, and not to produce or increase a loss. Further, any surplus tax-free return on one share cannot be set-off against gains on another share. Expenses and broker's commission at both the purchase (subscription) and the sale are deductible when calculating the capital gain or loss.

A First In First Out principle applies if shares are not acquired simultaneously.

14.2.2.2 Norwegian corporate shareholders

Capital gains generated by Norwegian corporate shareholders through a realization of shares in the Company are tax exempt; provided, however, that 3 per cent of any such net gains will be included in the tax base and taxable at a rate of 28 per cent, implying a 0.84 per cent effective tax rate for Norwegian corporate shareholders on net profits related to realization of shares in the Company. Net losses from realization of shares are not tax deductible for Norwegian corporate shareholders.

14.2.3 Net wealth tax

Norwegian corporate shareholders are exempt from net wealth taxation.

Norwegian personal shareholders are subject to net wealth tax. The marginal net wealth tax rate is currently 1.1 per cent. When calculating the net wealth tax base, shares and other listed instruments in listed companies are valued to the quoted value as of 1st of January in the assessment year.

14.3 FOREIGN SHAREHOLDERS – NORWEGIAN TAXATION

14.3.1 Withholding tax on distributions

Dividends distributed from the Company to non-Norwegian shareholders (persons and corporations) are generally subject to Norwegian withholding tax. The general withholding tax rate on dividends is 25 per cent, but is normally reduced to 15 per cent (or lower) if a tax treaty applies.

Further, and regardless of the withholding tax rate according to any applicable tax treaty, according to internal Norwegian tax law, dividends from the Company to non-Norwegian corporate shareholders are exempt from Norwegian withholding tax if the shareholder (i) is a corporation that corresponds to a Norwegian corporate shareholders and (ii) is tax resident and has an actual establishment and carries on genuine economic activities in an European Economic Area ("EEA") member state.

Furthermore, personal shareholders resident in an EEA member state may claim that a tax-free return is calculated and applied in the same way as for Norwegian personal shareholders, cf. above. However, the deduction does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower actual taxation of the dividends than the general withholding tax rate of 25 per cent less the tax-free return. Any tax-free return is only available upon application, and any refund is given after the end of the income year.

Nominee registered shares will be subject to 25 per cent withholding tax unless the nominee has obtained an approval from the Norwegian Tax Directorate that a lower tax rate shall apply. To obtain such approval the nominee must file an application to the Norwegian tax authorities, which includes a survey of all beneficial owners that are exempt from withholding tax or subject to withholding tax at a reduced rate.

Non-Norwegian shareholders that have been subject to a higher withholding tax than set out in an applicable tax treaty or the Norwegian Tax Act may apply to the Norwegian tax authorities for a refund of the excess withholding tax.

If shares in the Company are held in respect of a business (permanent establishment) liable to taxation in Norway, dividends distributed from the Company will in general be subject to the same taxation as for Norwegian shareholders, cf. above.

14.3.2 The Company's responsibility for the withholding of taxes

Non-Norwegian shareholders subject to withholding tax on dividends from the Company are subject to advance tax payment. The Company is responsible for the withholding of all tax levied on dividends to foreign shareholders and to report and pay in the withholding tax to the Norwegian tax authorities.

14.3.3 Capital gains

Non-Norwegian shareholders (persons and corporations) are not subject to Norwegian tax on capital gains generated through realization of shares in the Company.

A tax liability in Norway may arise if shares are held in respect of a business (permanent establishment) liable to taxation in Norway, or if a person has previously been tax resident in Norway.

14.4 DUTIES ON TRANSFER OF SHARES

No stamp duty or similar duties are currently imposed in Norway on the transfer of shares, neither on acquisition nor disposal.

14.5 INHERITANCE TAX

When shares are transferred either through inheritance or as a gift, such transfer may give rise to inheritance or gift tax in Norway.

15. LEGAL MATTERS

15.1 LEGAL AND ARBITRATION PROCEEDINGS

The Group will from time to time be involved in disputes in the ordinary course of its business activities. Below is a description of the claims which are of a certain extent. A vast majority of the claims are covered by insurance. Thus, In the event the final outcome of the disputes should be that the Group must pay all claims, Panoro Energy's financial position or profitability would be scarcely affected.

Other than the existing and possible claims and proceedings listed below, the Company is not aware of any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened), which may have, or have had during the last twelve months, significant effects on the Group's financial position or profitability.

The Group is currently involved in the following legal disputes:

- NEdB, is a party in a lawsuit filed by the Municipality of Cairu-Bahia, against ANP – Brazilian Petroleum Agency, Petrobras, Queiroz Galvão Oleo & Gas and Brasoil Manati Exploração Petrolífera, June, 2008. The Municipality of Cairu is demanding that the concession agreement is declared invalid and that the royalty is increased from the current rate of 7.5% to 10%. In addition the municipality claims that the difference of 2.5% is paid with retroactive effect from the start-up date. New Brazil Holding legal advisors in the process evaluate the risk of financial liabilities associated with this lawsuit as remote. No accrual has been made related to this issue.

- The Association of Petrobras Engineers ("AEPET") filed a lawsuit against The Brazilian Petroleum Agency (ANP) and all companies that bid on concessions in the ANP 3rd Round. The purpose of this lawsuit was to annul the 3rd Bid Round as well as all the concession contracts signed as a result of this bid round. Since Rio das Contas acquired the concessions in BM-CAL 5 & 6 that was granted to Petroserv in this bid round, Panoro Energy was summoned to reply to the lawsuit. Panoro Energy evaluates the risk related to this lawsuit to be remote as the arguments used to annul the 3rd Bid Round and signed concession contracts are inconsistent, and are against previous jurisprudences of the Court of the State of Rio de Janeiro. No accrual has been made related to this lawsuit.

- Rio das Contas is a party in two lawsuits filed by the Fishermen Association in the Manati Project region demanding indemnification for environmental damages as a result of alleged non-implementation of the compensatory measures established on the Environmental studies and reports part of the Environmental Licensing Process. There was a subsidiary request for an injunction to suspend the activities of implementation of the platform, pipeline and all infrastructure related to the project, which was not granted by the Court. Panoro Energy evaluates the risk associated with this law suit as remote since the basic argument is that the implementation of the Manati project has caused environmental damages, but throughout the petition there was no indication of a concrete damage. The issuance of the IBAMA Operation License further strengthens Panoro Energy's case. No accrual has been made related to these lawsuits.

- The administrative proceeding with tax authorities regarding PIS (Social Integration Program) and COFINS (Social Securitieson Revenues) was archived by the tax authorities in the third quarter of 2010 and therefore concluded in favour Coplex (Panoro´s subsidiary) since on a first jurisdiction the decision was favourable to Coplex.

- The legal suit (tax collection), which origin was two administrative proceedings with the tax authorities regarding the payment of PIS (Social Integration Program) and COFINS (Social Securities on Revenues), filled in May 2009 against Coplex Petróleo do Brasil Ltda was concluded with the court sentence issued in November 2010.

15.2 MATERIAL CONTRACTS

The joint operating agreements related to the BM-CAL 5 and BM-CAL 6 blocks and to the Cavalo Marinho field, the Coral field and the Estrela do Mar field establishes a right of first refusal for partners and where the Merger may be a trigger event. Certain of Pan's field interests are subject to pre-emptive rights that in the Company's opinion will not be triggered by the Transaction.

In November 2011, Panoro Energy sold its 40% working interest in the Ajapa marginal field in OML 90, offshore Nigeria, for a total consideration of USD 30 million.

Except for the above, the Company has not entered into any material contracts outside the ordinary course of business.

15.3 RELATED PARTY TRANSACTIONS

The Company or, prior to completion of the Demerger, Norse Energy with respect to the business acquired by the Company in the Demerger, has completed transactions with related parties in the period from 2007 and up until the date of this Prospectus, as summarised below. The agreements pertaining to these transactions are all entered into on market terms and in accordance with provisions in the Norwegian Public Limited Companies Act.

2009: The sale of 30% of the shares in NEdB to Sector at a purchase price of USD 30,000,000. The purchase price was settled in accordance with the agreement and accordingly there are no amounts outstanding with respect to the transaction.

2010: The Merger between the Company and Pan Holding, the latter being owned by Sector with approximately 99% prior to completion of the Merger.

16. ADDITIONAL INFORMATION

16.1 DOCUMENTS ON DISPLAY

For the life of this Prospectus the following documents (or copies thereof), where applicable, may be inspected at the offices of the Company (Dronning Mauds gate 1-3, 0250 Oslo, Norway):

- The Memorandum and Articles of Association of the Company
- All reports, letters, and other documents, historical financial information, valuations, and statements prepared by any expert at the Company's request any part of which is included or referred to in the Prospectus;
- The audited financial accounts of the Company for the last two financial years
- Historical financial information for the Company's subsidiaries for the last two financial years
- This Prospectus

16.2 DOCUMENTS INCORPORATED BY REFERENCE

The information incorporated by reference to this Prospectus should be read in connection with the cross reference list as set out in the table below. The following documents have been incorporated hereto by reference:

Section in Prospectus	**Disclosure requirements of the Prospectus**	**Reference document and link**	**Page (P) in reference document**
Section 6, 7, 8, 9	Interim financial information	Panoro Energy ASA – fourth quarter financial statements 2010 with comparable figures for the same period in 2009: http://www.panoroenergy.com/wp-content/uploads/20110218-Fourth-Quarter-Report-2010.pdf Panoro Energy ASA – second quarter quarter financial statements 2010 with comparable figures for the same period in 2009: http://www.panoroenergy.com/wp-content/uploads/20100826_Panoro_Q2_report-Final-2.pdf	
Section 6, 7, 8, 9	Audited historical financial information (Annex I, Section 20.1)	Norse Energy Corp ASA – financial statements 2009: http://feed.ne.cision.com/client/norseenergycorp//Commands/File.aspx?id=1125255 Norse Energy Corp ASA – Director's report 2009: http://feed.ne.cision.com/client/norseenergycorp//Commands/File.aspx?id=1125255	P 13-17 P 3-11
		Norse Energy Corp ASA – financial statements 2008: http://www.norseenergy.com/showpress.php?releaseid=422313 Norse Energy Corp ASA – Director's report 2008: http://www.norseenergy.com/showpress.php?releaseid=422313	P 25-30 P 14-21

		Norse Energy Corp ASA – financial statements 2007: http://www.norseenergy.com/showpress.php?releaseid=350339 Norse Energy Corp ASA – Director's report 2007: http://www.norseenergy.com/showpress.php?releaseid=350339	P 19-69 P 12-18
Section 6, 7, 8, 9	Audit report (Annex I, Section 20.4.1)	Norse Energy Corp ASA – Auditor's report 2009: http://feed.ne.cision.com/client/norseenergycorp//Commands/File.aspx?id=1125255 Norse Energy Corp ASA – Auditor's report 2008: http://www.norseenergy.com/showpress.php?releaseid=422313 Norse Energy Corp ASA – Auditor's report 2007: http://www.norseenergy.com/showpress.php?releaseid=350339	P 70-71 P 88 P 85
Section 6, 7, 8, 9	Accounting policies (Annex I, Section 20.1)	Norse Energy Corp ASA – Accounting principles (annual report 2009): http://feed.ne.cision.com/client/norseenergycorp//Commands/File.aspx?id=1125255	P 18-55
Section 6, 7, 8, 9	Audited historical financial information (Annex I, Section 20.1)Pro forma	Pro forma condensed financial information issued in connection with the merger between Brazil Group and Pan Group for the period 2Q 2010 and 2009: http://www.panoroenergy.com/wp-content/uploads/20100916-Approved-prospectus-incl-attachments.pdf	P 77-83
Section 6	Audited historical financial information (annex 1, section 20.5.1)	Panoro Energy ASA – Annual accounts 2009. http://www.panoroenergy.com/wp-content/uploads/20100916-Approved-prospectus-incl-attachments.pdf	Appendix 11
Section 8, 9	Financial condition and cash flows (annex 1, section 9.1)	Pan Group – management discussion and analysis of financial conditions and results of operations for the Pan Group for the financial years 2009 and 2008: http://www.panoroenergy.com/wp-content/uploads/20100916-Approved-prospectus-incl-attachments.pdf	P 54-55
Section 8, 9	Financial condition and cash flows (annex 1, section 9.1)	Brazil Group - management discussion and analysis of financial conditions and results of operations for the Brazil Group which has been carved out from Norse Energy's audited group financial statements for the financial years 2009, 2008 and 2007: http://www.panoroenergy.com/wp-content/uploads/20100916-Approved-prospectus-incl-attachments.pdf	P 52-54
Section 10	Annual statement of reserves	Panoro Energy ASA: Annual statement of reserves 2009: http://www.panoroenergy.com/wp-content/uploads/NEC-ASR-200914.pdf	
Section 6	Historical financial information (annex 1, Section 3.1)	Appendix 9: Historical financial information with compilation details: http://www.panoroenergy.com/wp-content/uploads/20100916-Approved-prospectus-incl-attachments.pdf	P A216 - A221
Section 6	Historical financial information (annex 1,	Pan Petroleum Holding Cyprus Limited Financial Statements for 2009 and 2008: http://www.panoroenergy.com/wp-content/uploads/20100916-Approved-prospectus-incl-	P A160 – A207

	Section 3.1)	attachments.pdf	

16.3 STATEMENT REGARDING EXPERT OPINIONS

The Company confirms that when information in this Prospectus has been sourced from a third party it has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Company has adopted a policy of regional Reserve Reporting using external third party companies to audit its work and certify reserves and resources according to the guidelines established by the Oslo Stock Exchange (OSE). Reserve and Contingent Resource estimates comply with the definitions set by the Petroleum Resources Management System (PRMS-2007) sponsored by 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.

The Company's reserves have, on request by the Company, been verified by its certification agent;

Gaffney, Cline & Associates ("GCA")
Four Oaks Place
1360 Post Oak Boulevard Suite 2500
Houston, Texas 77056

Gaffney, Cline & Associates has no material interest in the Company. The report is signed by David Morgan, Gaffney Cline & Associates. David K. Morgan holds a B.Sc. in Petroleum Engineering, and is a member of the Society of Petroleum Engineers, and has been employed with CGA since 1995, and holds long-term experience from several major oil companies prior to this. The report has been prepared on the request of the Company, for publication purposes. The reserve report is incorporated by reference in Section 16.2.

16.4 THIRD PARTY INFORMATION

Market and industry data used throughout this Prospectus was obtained from various publicly available or independent third party sources. Although the Company believes that these independent sources are generally reliable, the accuracy and completeness of such information are not guaranteed and have not been verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and the limitations and uncertainties inherent in any statistical survey of market size or consumer demand. References in this Prospectus to research reports or articles should not be construed as depicting the complete findings of the entire referenced report or article. The information in each report or article is not incorporated by reference into this Prospectus.

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

17. DEFINITIONS AND GLOSSARY

AEPET	The Association of Petrobras Engineers
BCA	The Business Combination Agreement dated 27 January 2010
Board of Directors or Board:	The Board of Directors of Panoro Energy ASA
BRL	Brazilian Real
Brazil Group	Norse Energy do Brazil S.A and its consolidated subsidiaries
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CET	Central European Time.
Company or Panoro Energy	Panoro Energy ASA and its consolidated subsidiaries
Congo or republic of Congo	The Republic of Congo, having its capital in Brazzaville
Corporate Governance Code	The Norwegian Code of Practice for Corporate Governance of 21 October 2009
Coplex	Norse Energy do Brasil S.A, Coplex Petroleo do Brazil Ltda.
EIA	Energy Information Agency
EUR	Euro, the currency introduced at the start of the third stage of the Economic and Monetary Union to the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union.
Foreign Corporate Shareholders	Shareholders who are limited liability companies not resident in Norway for tax purposes
Foreign Personal Shareholders	Shareholders who are individuals not resident in Norway for tax purposes
GCA	Gaffney, Cline & Associates, the Company's certification agent
Henry Hub	US quoted gas price at a point on the natural gas pipeline system in Erath, Louisiana traded on NYMEX
IEA	International Energy Agency
IFRS	International Financing Reporting Standards, issued by the International Financial Reporting Interpretations Committee (IFRIC) (formerly, the "Standing Interpretations Committee" (SIC)).
Interest Cover Ratio	The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) of one period by the company's interest expenses of the same period
ISIN	International Securities Identification Number.
Joint Lead Managers	The Managers
KBOE/day	Thousand Barrels of Oil Equivalents per day
Listed Placement Shares	The 16,394,708 Shares resolved issued by the Company's Board of Directors on 3 February 2011 in connection with the Private Placement
Listing Shares	The 54,105,292 Shares in the Company issued in the Private Placement and resolved by the general meeting on 1 March 2011
Managers	Carnegie ASA and Pareto Securities AS
NOK	Norwegian Kroner, the lawful currency of the Kingdom of Norway
NEdB	Norse Energy do Brasil S.A

Norse Energy	Norse Energy Corp. ASA, or when the context so requires, including its subsidiaries.
Norwegian Corporate Shareholders	Shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes
Norwegian Personal Shareholders	Shareholders who are individuals resident in Norway for tax purposes
Norwegian Public Limited Liability Companies Act	The Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (“Allmennaksjeloven”).
Norwegian Securities Trading Act	The Securities Trading Act of 29 June 2007 no. 75 (“Verdipapirhandelloven”).
NYMEX	New York Mercantile Exchange
Offer Shares	The Shares offered for subscription in the Subsequent Offering
OPEC	Organization of Petroleum Exporting Countries
Oslo Børs	Oslo Børs ASA (translated “the Oslo Stock Exchange”)
Pan Group	Pan-Petroleum Holding Cyprus Limited and its consolidated subsidiaries
Pan Holding	Pan-Petroleum Holding AS
PIS	Social Integration Program
Placement Shares	Listing of 54,105,292 Shares in Panoro Energy ASA on Oslo Børs
Prevail Option	The agreement described in section 13.1.4
Private Placement	NOK 550 million (USD 95.8 million private placement at prevailing rate of 5.74) in Panoro Energy ASA subscribed in February 2011
Prospectus	This Prospectus dated 4 March 2011.
Rio das Contas	Rio das Contas Produtora de Petroleo Ltda.
Sector	Sector Omega ASA
Share(s)	“Shares” means the common shares in the capital of the Company each having a nominal value of NOK 1.460471768 and “Share” means any one of them.
Subscription Period	From and including 7 March 2011 to 17:30 (CET) on 21 March 2011
Subsequent Offering	The offering of up to 6,500,000 shares as further described in Section 5
Tcf	Trillion cubic feet
USD	United States Dollar, the lawful currency of the United States of America.
U.S. Securities Act	The U.S. Securities Act of 1933, as amended
Vanco	Vanco Brasil Exploração e Produção de Petróleo e Gas Natural Ltda, a wholly owned Subsidiary of Vanco Overseas Energy Ltd
VPS account	An account with VPS for the registration of holdings of securities.
VPS	Verdipapirsentralen (Norwegian Central Securities Depository), which organizes a paperless securities registration system.
WTI	West Texas Intermediate oil price is a benchmark in oil pricing and the underlying commodity of NYMEX’ oil futures contracts.

18. APPENDICES

Appendix 1: Articles of association of Panoro Energy ASA

Appendix 2: Subscription form for the subsequent offering

Appendix 3: Independent assurance report on the pro forma financial information

APPENDIX 1 – Articles of association of Panoro Energy ASA

As per 1 March 2011

Articles of Association

for

Panoro Energy ASA

§ 1 The name of the company

The name of the company shall be Panoro Energy ASA. The company is a public limited liability company.

§ 2 The business of the company

The company's business shall consist of exploration, production, transportation and marketing of oil and natural gas and exploration and/or development of other energy forms, sale of energy as well as other related activities. The business might also involve participation in other similar activities through contribution of equity, loans and/or guarantees.

§ 3 Registered office

The company's registered office is in the municipality of Oslo.

§ 4 Share capital and shares

The share capital of the company is NOK 342,403,342.90 divided on 234,447,081 shares each with a nominal value of NOK 1.460471768, fully paid and payable to registered owner.

The company's shares shall be registered in the Norwegian Registry of Securities,
Verdipapirsentralen (VPS).

§ 5 Board of directors

The board of directors consists of 3 to 8 members.

§ 6 Signature

The power to sign for the company is exercised by the chairman of the board alone or by two board members jointly.

§ 7 Annual general meeting

The following matters will be considered and decided by the annual general meeting:

1. Approval of the profit and loss statement and balance sheet, including application of the profit for the year or coverage of the loss for the year.
2. Election of board of directors and auditor, and determination of their remuneration.
3. Other issues which pursuant to law or the articles of association are to be decided by the annual general meeting.

If documents that shall be considered at the general meeting are made available to the shareholders on the company's website, the Companies Act request to send these documents to shareholders does not apply. This shall also apply for documents that, pursuant to law or regulations, shall be included in or attached to the notice of the general meeting. A shareholder may nevertheless upon
request to the company have the documents that shall be considered at the general meeting sent free of charge by mail.

Registrations for the company's general meetings must be received at least five calendar days before the meeting is held.

§ 8 Nomination committee

The company shall have a nomination committee consisting of 2 to 3 members to be elected by the annual general meeting for a two year period. The majority of the nomination committee shall be independent of the board of directors and the day-to-day management. The nomination committee's duties are to propose to the general meeting shareholder elected candidates for election to the board of directors, and to propose remuneration to the board. The annual general meeting may adopt procedures for the nomination committee.

§ 9 Other regulations

In all other matters of the company, the Public Limited Liabilities Companies Act will apply.

APPENDIX 2 – SUBSCRIPTION FORM

APPEDNIX 3: INDEPENDENT ASSURANCE REPORT ON THE PRO FORMA FINANCIAL INFORMATION

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