



E&P

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Panoro (Buy, NOK 24) – Well timed M&A transforms company

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SpareBank
MARKETS 

SpareBank1 Markets acted as Manager in connection with Panoro Energy's Q3 and Q4 2018 Private Placements

Panoro (Buy, NOK 24)

Well timed M&A transforms company

While Panoro reported Q3 financials below our forecasts, we believe investors should focus on the upcoming production and cash flow growth the company will report after closing of the accretive acquisition of OMV Tunisia. Over the next few quarters we expect the company to triple its production and report positive reserve development for its Dussafu license. Since we downgraded Panoro to Neutral on 10 October, the share price is down ~20%. In the same period the company has announced the transformative OMV deal and secured a broader investor base. We upgrade to Buy and keep our NOK 24/share target price.

- **Q3 on the soft side, OMV integration in focus:** Panoro reported Q3 financials slightly below our forecast. EBITDA of USD -2.0m was below our forecast of USD -0.9m due to lower revenue recognition and higher opex than we had expected. Q2 revenue included one lifting from the Aje field, which was in line with our assumptions. The higher than expected opex was mainly explained by exploration costs and costs related to the acquisition of DNO Tunisia. Q3 net cash of USD 6.5m was however above our forecast of USD 4.0m, mostly explained by USD 1.6m increase in payables. In general, we do not read too much from Panoro's short term financials as the company reports revenue based on cargo liftings and not as a function of production, which means low earnings visibility in the short term. With regards to outlook, the company highlighted progress on Dussafu phase 2 with an expected first oil in 2020, which is in line with our forecast. We would also add that integration of DNO Tunisia (acquired during Q3) and a significant production growth (3x Q3 production expected) are important milestones for the company over the next few quarters.
- **OMV deal transform company:** Panoro recently announced a deal to acquire 100% of the shares of OMV Tunisia Upstream GmbH. Co-investor will be Tunisian oil investor Beender with a 40% owner share. OMV Tunisia Upstream GmbH has 49% interest in five different oil field concessions as well as 50% equity interest in Thyna Petroleum Services (TPS), the company operating the five concessions. Panoro's net owner share post transaction will be 29.4% (=60% x 49%). The assets include high quality conventional oil production with long life, low decline, and high operational margins. The deal value is USD 65m and around USD 50m after working capital adjustments. The deal will provide Panoro with substantial production growth, strong free cash flow, lower EV/production multiple and probably lower cost of capital. The acquisition of TPS was made at a ~30% discount to Gaffney Cline's third party valuation of the 2P reserves acquired.
- **Share price weak recently, upgraded to Buy:** Since we downgraded Panoro to Neutral on 10 October, the share price is down ~20%. In the same period the company has announced the transformative OMV deal and secured a broader investor base. On our estimates, the share trades at 2020e P/E of 10x and P/NAV of 0.6x. We upgrade to Buy and keep our NOK 24/share target price.

Q3 on the soft side

Highlights

| Key figures (USDm) | 1Q 18 | 2Q 18 | 3Q 18 | 3Q 18e | Dev. |
|-------------------------|-------------|-------------|-------------|-------------|-------------|
| Total revenues | 0.0 | 4.6 | 2.6 | 3.0 | -0.4 |
| Production expenses | 0.0 | -3.1 | -2.1 | -2.1 | |
| Exploration expenses | 0.0 | 0.0 | -0.5 | -0.3 | |
| Other opex | -1.2 | -1.1 | -2.1 | -1.5 | |
| EBITDA | -1.2 | 0.5 | -2.0 | -0.9 | -1.2 |
| D&A | -0.9 | -0.6 | -0.8 | -1.1 | |
| Impairment | 0.0 | 0.0 | 0.0 | 0.0 | |
| EBIT | -2.1 | -0.2 | -2.8 | -1.9 | -0.9 |
| Net financial items | -0.4 | -0.5 | -0.4 | -0.4 | |
| Tax | 0.0 | 0.0 | 0.0 | 0.0 | |
| Net income | -2.2 | -0.3 | -3.0 | -2.0 | -0.9 |
| Net income, recurring | -2.1 | -0.3 | -3.0 | -2.0 | -0.9 |
| Net cash (debt) | 2.0 | -1.6 | 6.5 | 4.0 | 2.5 |
| Reported sales, boe/day | 0 | 750 | 401 | 500 | -20% |

Outlook Q3 18 report

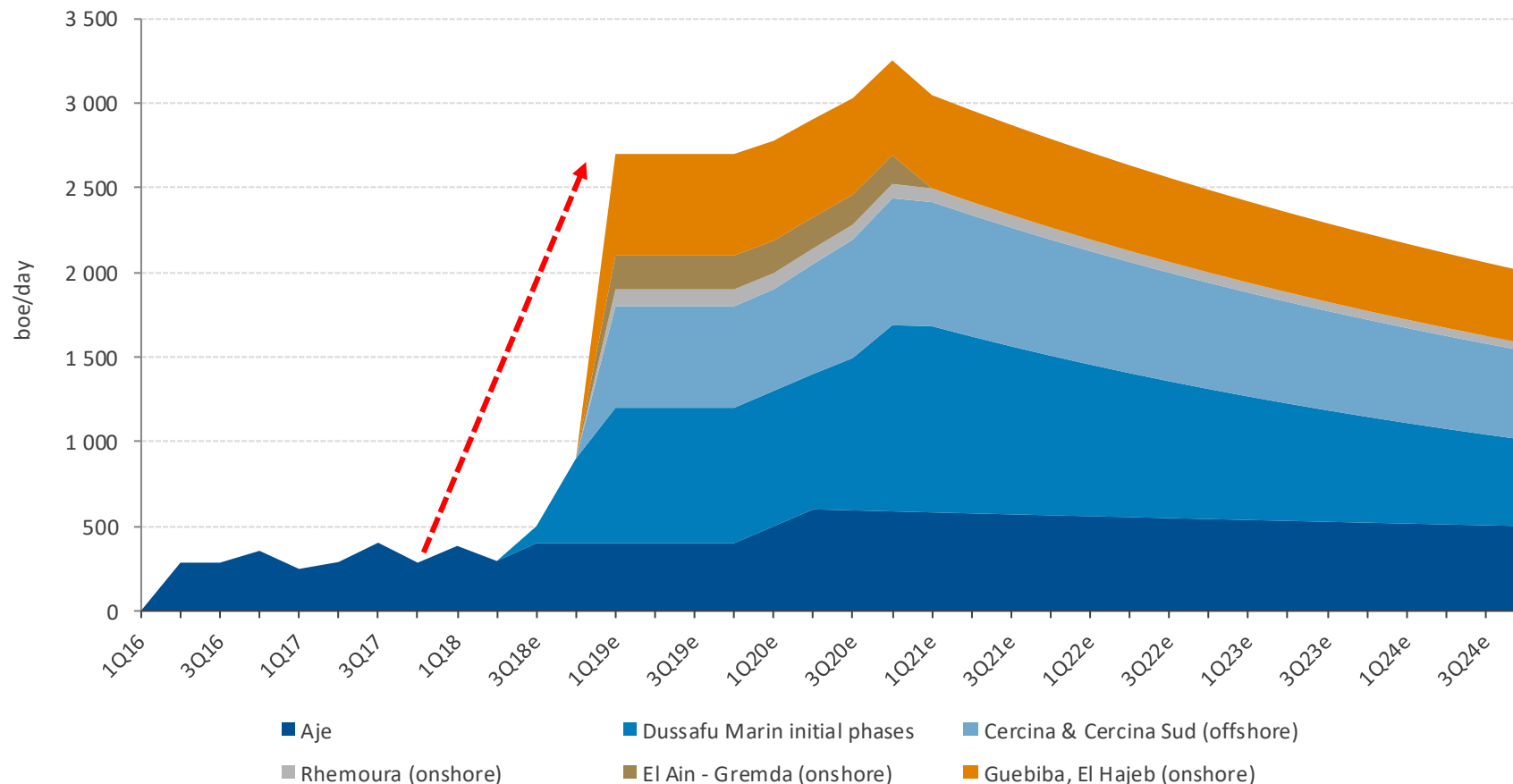
Comments

| | |
|--------------------------------------------------|--------------------------------------|
| Progress Dussafu phase 2, first oil 2020 | We assume ramp up from current level |
| Drilling of Salloum prospect coming up (Tunisia) | - |
| Planning next Aje Phases | Assigned NOK 3/sh in our SOTP |
| Growth opportunities evaluated | We guess North/West Africa |

Production set to grow significantly

= diversification, increased cash flow (and potentially lower discount rate)

Production profile, boe/day net to Panoro



SOTP valuation

| Asset | Licence | Operator | Counrty | Stake | Net mboe | USD/boe | Unrisked USDm | Prob. | Risked NOKm | Risked NOK/sh |
|------------------------------------------|---------|----------|---------|-------|--------------|-------------|---------------|-------------|--------------|---------------|
| Production | | | | | | | | | | |
| Aje | | YFP | Nigeria | 12% | 1.5 | 12.6 | 19 | 100% | 159 | 2.6 |
| Dussafu, initial phases | | BWO | Gabon | 7.5% | 1.9 | 24.6 | 47 | 100% | 387 | 6.4 |
| Cercina & Cercina Sud (offshore) | | TPS | Tunisia | 29% | 2.6 | 13.0 | 34 | 100% | 282 | 4.7 |
| Rhemoura (onshore) | | TPS | Tunisia | 29% | 0.2 | 18.6 | 3 | 100% | 26 | 0.4 |
| El Ain - Gremda (onshore) | | TPS | Tunisia | 29% | 0.1 | 19.5 | 3 | 100% | 22 | 0.4 |
| Guebiba, El Hajeb (onshore) | | TPS | Tunisia | 29% | 2.1 | 17.3 | 37 | 100% | 304 | 5.0 |
| Sum production | | | | | 8.5 | 16.8 | 143 | 100% | 1 181 | 19.5 |
| Discoveries | | | | | | | | | | |
| Dussafu Ruche North East Marin-1 | | BWO | Gabon | 7.5 % | 0.8 | 12.3 | 9 | 70% | 53 | 0.9 |
| Dussafu new phases | | BWO | Gabon | 7.5 % | 3.1 | 12.3 | 38 | 30% | 94 | 1.6 |
| Aje, new phases | | YFP | Nigeria | 12% | 18.5 | 2.0 | 37 | 60% | 183 | 3.0 |
| Tunisia Sfax | | Panoro | Tunisia | 53% | 3.4 | 3.0 | 10 | 75% | 63 | 1.0 |
| Tunisia Sfax | | Panoro | Tunisia | 53% | 10.2 | 3.0 | 31 | 60% | 152 | 2.5 |
| Cercina & Cercina Sud (offshore) upsides | | TPS | Tunisia | 29% | 0.6 | 6.5 | 4 | 60% | 18 | 0.3 |
| Rhemoura (onshore) upsides | | TPS | Tunisia | 29% | 0.3 | 9.3 | 3 | 60% | 12 | 0.2 |
| El Ain - Gremda (onshore) upsides | | TPS | Tunisia | 29% | 0.6 | 9.8 | 6 | 60% | 29 | 0.5 |
| Guebiba, El Hajeb (onshore) upsides | | TPS | Tunisia | 29% | 0.2 | 8.7 | 1 | 60% | 6 | 0.1 |
| Sum discoveries | | | | | 37.5 | 3.7 | 138 | 59% | 611 | 10.1 |
| Exploration | | | | | | | | | | |
| Dussafu exploration | | BWO | Gabon | 8% | 5.0 | 2.0 | 10 | 30% | 25 | 0.4 |
| Tunisia exploration | | Panoro | Tunisia | 53% | 170.5 | 1.0 | 170 | 10% | 141 | 2.3 |
| Sum discov. and explor. | | | | | 266.0 | 2.7 | 724 | 29% | 165 | 2.7 |
| Overhead | | | | | | | -28 | 100% | -231 | -3.8 |
| Tax value Norway | | | | | | | 12 | 10% | 10 | 0.2 |
| Gross asset value | | | | | | | | | 1 736 | 28.7 |
| Net cash (debt) | | | | | | | -3 | | -25 | -0.4 |
| Net asset value | | | | | | | | | 1 711 | 28.2 |

Financial summary

Annual financials

| P & L, USDm | 2015 | 2016 | 2017 | 2018e | 2019e | 2020e | 2021e |
|----------------|-------|-------|-------|-------|-------|-------|-------|
| Total revenues | 0 | 5 | 7 | 13 | 56 | 62 | 57 |
| EBITDA | -7 | -4 | -5 | -3 | 25 | 30 | 24 |
| EBITDA margin | na | -70% | -84% | -2% | 45% | 48% | 43% |
| EBIT | -39 | -62 | -36 | -7 | 10 | 13 | 8 |
| Pretax profit | -39 | -62 | -36 | -7 | 10 | 13 | 7 |
| Net income | -39 | -62 | -36 | -7 | 9 | 12 | 7 |
| EPS | -0.17 | -1.10 | -0.85 | -0.16 | 0.15 | 0.20 | 0.11 |
| Rec EPS | -0.16 | -0.18 | -0.24 | -0.15 | 0.15 | 0.20 | 0.11 |

| Balance sheet, USDm | 2015 | 2016 | 2017 | 2018e | 2019e | 2020e | 2021e |
|-------------------------------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total fixed assets | 102 | 52 | 25 | 45 | 43 | 49 | 46 |
| Cash and equivalents | 11 | 5 | 6 | 5 | 15 | 22 | 31 |
| Other current assets | 2 | 2 | 4 | 5 | 5 | 5 | 5 |
| Total Assets | 115 | 59 | 35 | 54 | 64 | 76 | 82 |
| Total equity | 108 | 54 | 17 | 18 | 27 | 39 | 45 |
| Total non current liabilities | 6 | 2 | 11 | 26 | 26 | 26 | 26 |
| Total current liabilities | 1 | 2 | 7 | 11 | 11 | 11 | 11 |
| Total equity and liabilities | 115 | 59 | 35 | 54 | 64 | 76 | 82 |

| | | | | | | | |
|-----------------------------|----|---|---|----|---|----|----|
| Net cash (debt) | 11 | 5 | 4 | -3 | 8 | 14 | 24 |
| Gross interest bearing debt | 0 | 0 | 2 | 8 | 8 | 8 | 8 |

| Condensed cash flow, USDm | 2015 | 2016 | 2017 | 2018e | 2019e | 2020e | 2021e |
|------------------------------------|------------|-----------|----------|-----------|-----------|----------|-----------|
| Cash flow from operations | -7 | -3 | -2 | -4 | 25 | 29 | 24 |
| Cash flow from investments | -24 | -12 | 5 | -28 | -13 | -22 | -14 |
| Cash flow from financing (incl FX) | 0 | 8 | -2 | 30 | -1 | -1 | 0 |
| Change in cash | -30 | -6 | 2 | -2 | 11 | 6 | 10 |

Quarterly financials

| P & L, USDm | 1Q 18 | 2Q 18 | 3Q 18 | 4Q 18e | 1Q 19e | 2Q 19e | 3Q 19e |
|----------------|-------|-------|-------|--------|--------|--------|--------|
| Total revenues | 0 | 5 | 3 | 6 | 13 | 14 | 16 |
| EBITDA | -1 | 0 | -2 | 0 | 4 | 7 | 8 |
| EBITDA margin | na | 10% | -77% | 2% | 30% | 49% | 51% |
| EBIT | -2 | 0 | -3 | -2 | 0 | 3 | 4 |
| Pretax profit | -2 | 0 | -3 | -2 | 0 | 3 | 4 |
| Net income | -2 | 0 | -3 | -2 | 0 | 3 | 4 |
| EPS | -0.05 | -0.01 | -0.07 | -0.03 | 0.00 | 0.05 | 0.07 |
| Rec EPS | -0.05 | -0.01 | -0.07 | -0.03 | 0.00 | 0.05 | 0.07 |

| Balance sheet, USDm | 1Q 18 | 2Q 18 | 3Q 18 | 4Q 18e | 1Q 19e | 2Q 19e | 3Q 19e |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total fixed assets | 26 | 32 | 37 | 45 | 45 | 44 | 43 |
| Cash and equivalents | 5 | 5 | 19 | 5 | 5 | 8 | 13 |
| Other current assets | 5 | 3 | 5 | 5 | 5 | 5 | 5 |
| Total Assets | 36 | 40 | 62 | 54 | 54 | 57 | 61 |
| Total equity | 15 | 15 | 20 | 18 | 18 | 20 | 24 |
| Total non current liabilities | 12 | 16 | 26 | 26 | 26 | 26 | 26 |
| Total current liabilities | 9 | 9 | 16 | 11 | 11 | 11 | 11 |
| Total equity and liabilities | 37 | 40 | 62 | 54 | 54 | 57 | 61 |

| | | | | | | | |
|-----------------------------|---|----|----|----|----|---|---|
| Net cash (debt) | 2 | -2 | 7 | -3 | -3 | 1 | 6 |
| Gross interest bearing debt | 3 | 7 | 13 | 8 | 8 | 8 | 8 |

| Condensed cash flow, USDm | 1Q 18 | 2Q 18 | 3Q 18 | 4Q 18e | 1Q 19e | 2Q 19e | 3Q 19e |
|------------------------------------|-----------|----------|-----------|------------|----------|----------|----------|
| Cash flow from operations | -1 | -1 | -2 | 0 | 4 | 7 | 8 |
| Cash flow from investments | 0 | 0 | 7 | -35 | -3 | -3 | -3 |
| Cash flow from financing (incl FX) | 0 | 2 | 8 | 20 | 0 | 0 | 0 |
| Change in cash | -1 | 0 | 14 | -15 | 0 | 4 | 5 |

Appendix: Key slides from OMV Tunisia deal

Company snapshot

Overview

- **Management:** CEO John Hamilton, CFO Qazi Qadeer, Technical Director Richard Morton
- **Chairman:** Julien Balkany
- **Mcap:** NOK 750m, Ticker: PEN NO
- **Production 2017-19e*:** 300, 450, 2600 boe/d

Key assets

- **Producing fields*:** Aje (offshore Nigeria), Dussafu (offshore Gabon), Cercina & Cercina Sud (offshore Tunisia), Rhemoura (onshore Tunisia), El Ain - Gremda (onshore Tunisia), Guebiba, El Hajeb (onshore Tunisia).
- **Developments in Tunisia*:** Sfax, Aje gas and future phases.

Largest shareholders (before OMV deal)

| Top 10 shareholders | # shares | % |
|---------------------------------------|-------------------|---------------|
| F2 FUNDS AS | 2 786 000 | 6.0% |
| J.P. MORGAN (Chairman Julien Balkany) | 2 650 444 | 5.7% |
| DNO ASA | 2 641 465 | 5.6% |
| DANSKE INVEST NORGE VEKST | 1 590 785 | 3.4% |
| STOREBRAND VEKST VERDIPAPIRFOND | 966 120 | 2.1% |
| KLP AKSJENORGE | 833 341 | 1.8% |
| NORDNET BANK AB | 781 882 | 1.7% |
| PREDATOR CAPITAL MANAGEMENT AS | 660 000 | 1.4% |
| KOMMUNAL LANDSPENSJONSKASSE | 620 894 | 1.3% |
| MATHIAS HOLDING AS | 600 000 | 1.3% |
| Total | 14 130 931 | 30.2% |
| <i>Other</i> | <i>32 621 484</i> | <i>69.8%</i> |
| Total number of Panoro shares | 46 752 415 | 100.0% |

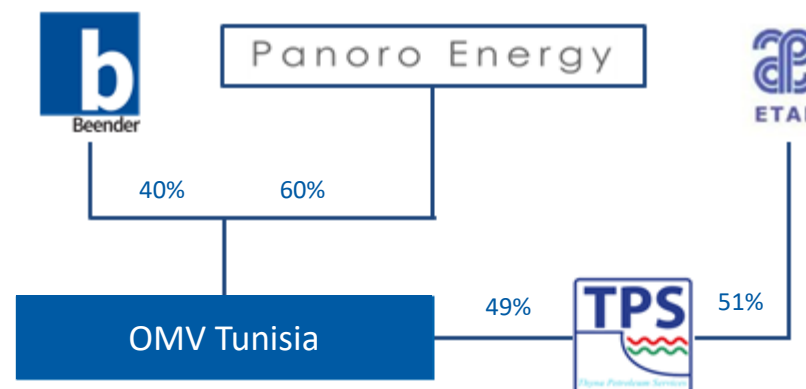
Key financials*

| USD m | 2016 | 2017 | 2018e | 2019e |
|----------------------------|-------|-------|-------|-------|
| Total revenues | 5 | 7 | 13 | 56 |
| EBITDA | -4 | -5 | 1 | 25 |
| EBIT | -62 | -36 | -4 | 10 |
| Net income | -62 | -36 | -4 | 9 |
| Recurring EPS | -0.18 | -0.24 | -0.09 | 0.15 |
| Net cash (debt) | 5 | 4 | -7 | 4 |
| Cash flow from operations | -3 | -2 | -1 | 25 |
| Cash flow from investments | m | 5 | -38 | -13 |

Panoro acquires OVM Tunisia

- Panoro has entered into an agreement to acquire 100% of the shares of OMV Tunisia Upstream GmbH. Co-investor will be Tunisian oil investor Beender* with a 40% owner share.
- OMV Tunisia Upstream GmbH has 49% interest in five different oil field concessions as well as 50% equity interest in Thyna Petroleum Services (TPS), the company operating the five concessions. Panoro's net owner share post transaction will be 29.4% (=60% x 49%).
- The assets include high quality conventional oil production with long life, low decline, and high operational margins.
- The deal value is USD 65m and around USD 50m after working capital adjustments.
- The deal will be financed by USD 25m new equity, USD 27m senior debt facility from Marcuria** and USD 10m co-investment from experienced Tunisian oil investor Beender.

Simplified structure after OMV deal



Why the OMV deal is attractive for Panoro

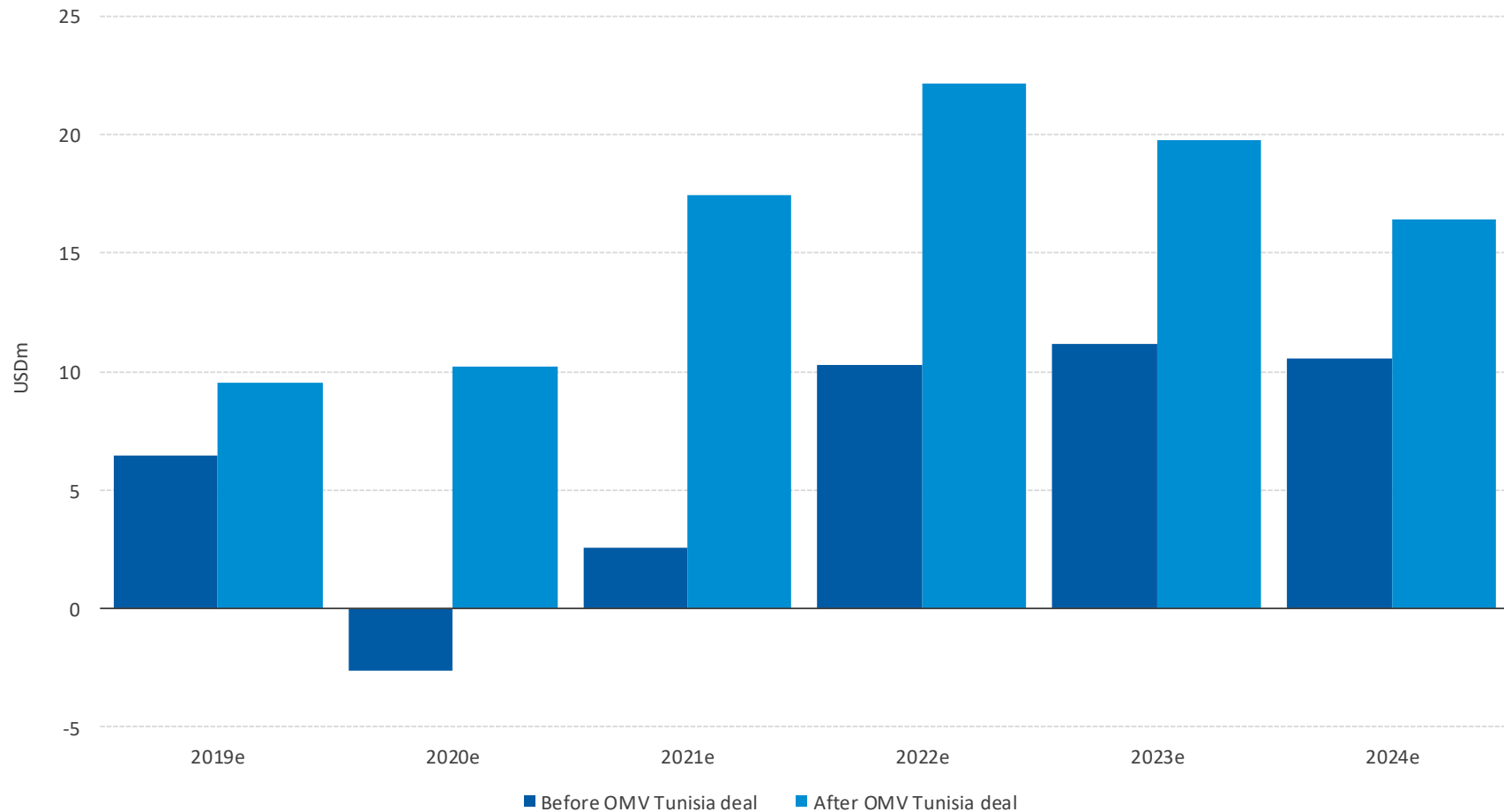
- Deal made in Q2 when oil price was lower
- Cheap access to production
- Assets are located close to the assets recently acquired from DNO
- EPS and NAV accretive
- Panoro has a strong organization in Tunisia with county manager that knows the DNO assets very well
- Tunisia is among the most stable African countries to operate in and offers a favorable business environment. A number of international oil and oil service companies such as Shell, ENI, Petrofac and Schlumberger are active in Tunisia.
- Experienced Board of Directors with proved track record that are continuously screening for deals

Why Buy Panoro?

1. Strong free cash flow after OMV deal
2. Experienced Board of Directors contributes in share issue
3. OMV deal accretive on EV/production
4. Production set to grow significantly, potential for lower WACC and discount rate
5. Dussafu field derisked
6. Management has created NAV increase and established a platform for becoming a full cycle Africa-focused E&P
7. OMV assets acquired at a significant discount do third party valuation
8. Spectacular earnings estimate increase after OMV deal

1) Strong free cash flow after OMV deal

Panoro free cash flow before and after OMV deal

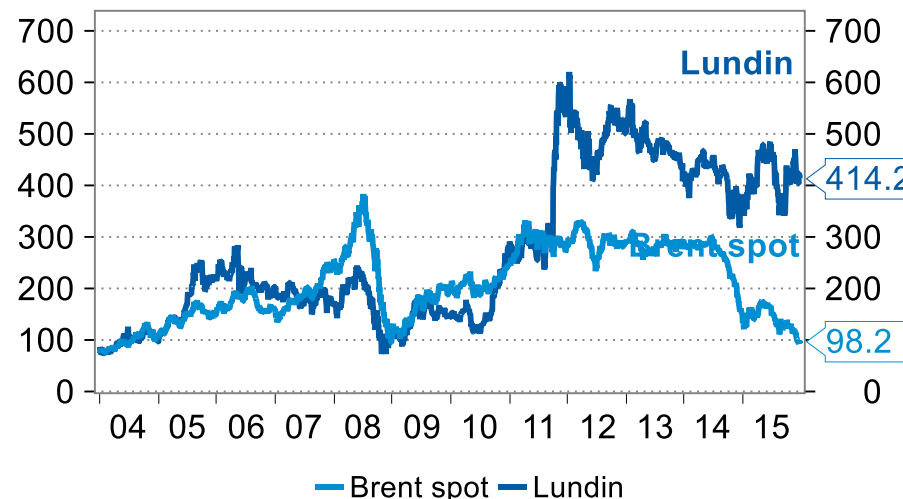


2) Experienced Board of Directors have contributed in share issue

Comments

- Panoro's Board of directors with proved value creation skills. For example, Torstein Sanness was the Managing Director of Lundin Norway from 2004-2015. In that period the Lundin share price more than quadrupled.
- Two current Lundin Group company representatives on the Board of Directors.
- Several Board Members contributed in Panoro's last share issue and will also contribute in the in private placement for the OMV acquisition, demonstrating the quality of the deal.

Lundin share price with Sanness as CEO*



SB1 Markets/Macrobond



Mr. Julien Balkany
Chairman



Ms. Alexandra Herger



Mr. Torstein Sanness



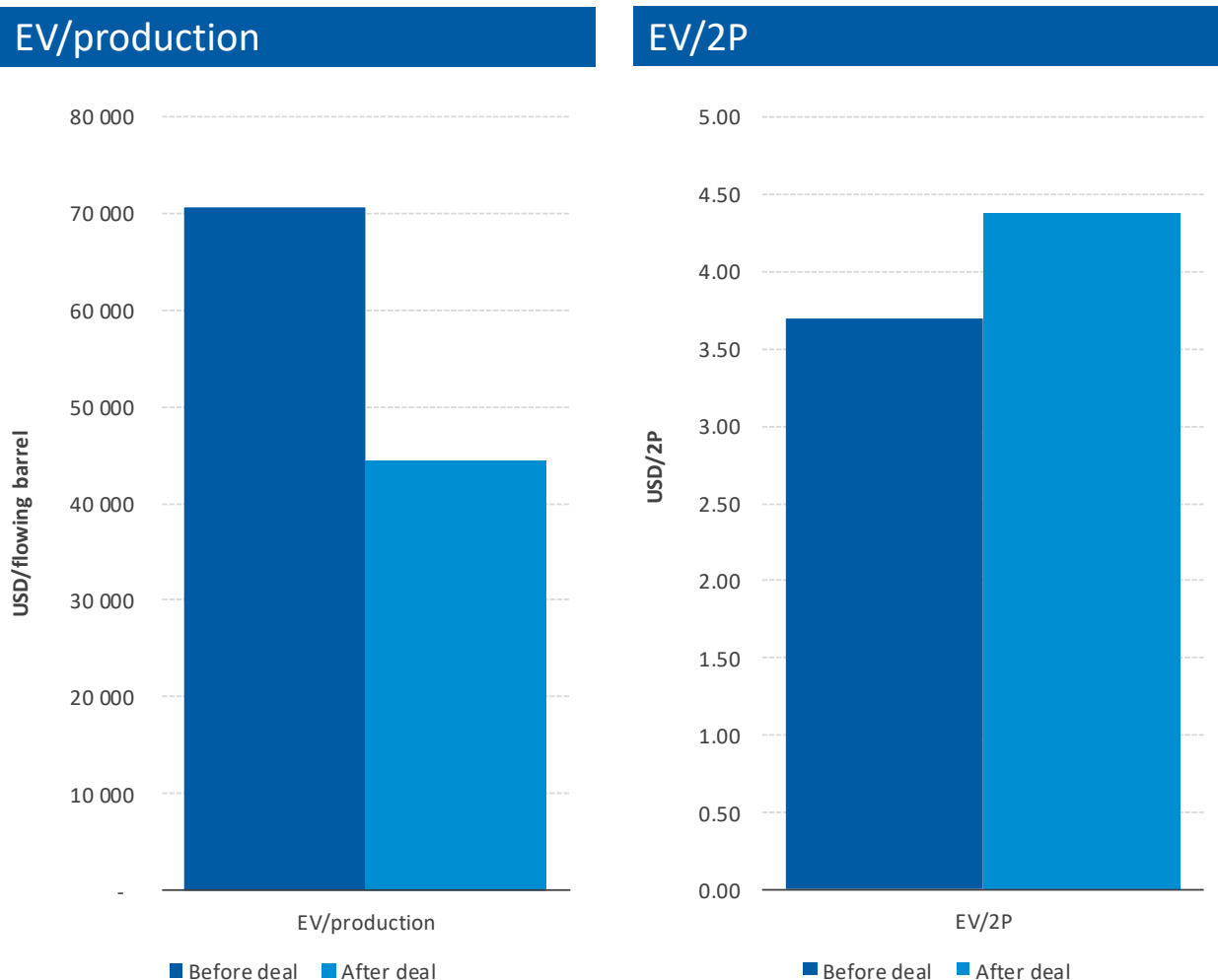
Mrs. Hilde Ådland



Mr. Garrett Soden

* Sanness was CEO of Lundin Norway, which comprised more than 80% of the values of Lundin Petroleum when he resigned in 2015.

3) OM deal accretive on EV/production

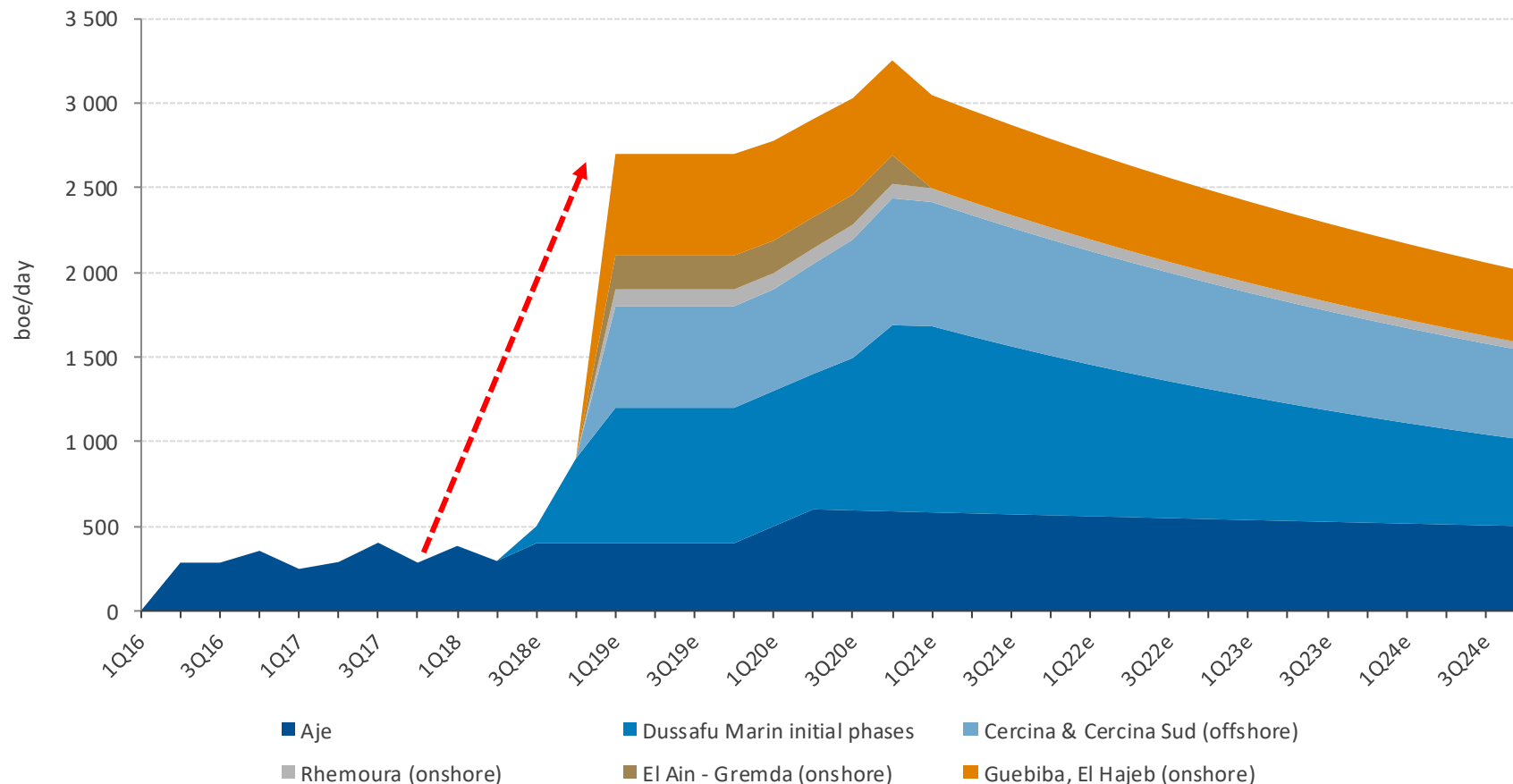


- The OMV deal will reduce Panoro's EV/flowing barrels by close to 40%, from USD 70k to around USD 44k.
- As the deal includes production, one should expect that USD/2P will increase significantly after the deal since production is worth more than developments barrels.
- However, on our forecasts, USD/2P will increase by less than 20% after the OMV deal, which we find attractive.

4) Production set to grow significantly

= diversification, increased cash flow (and potentially lower discount rate)

Production profile, boe/day net to Panoro



5) Dussafu field derisked

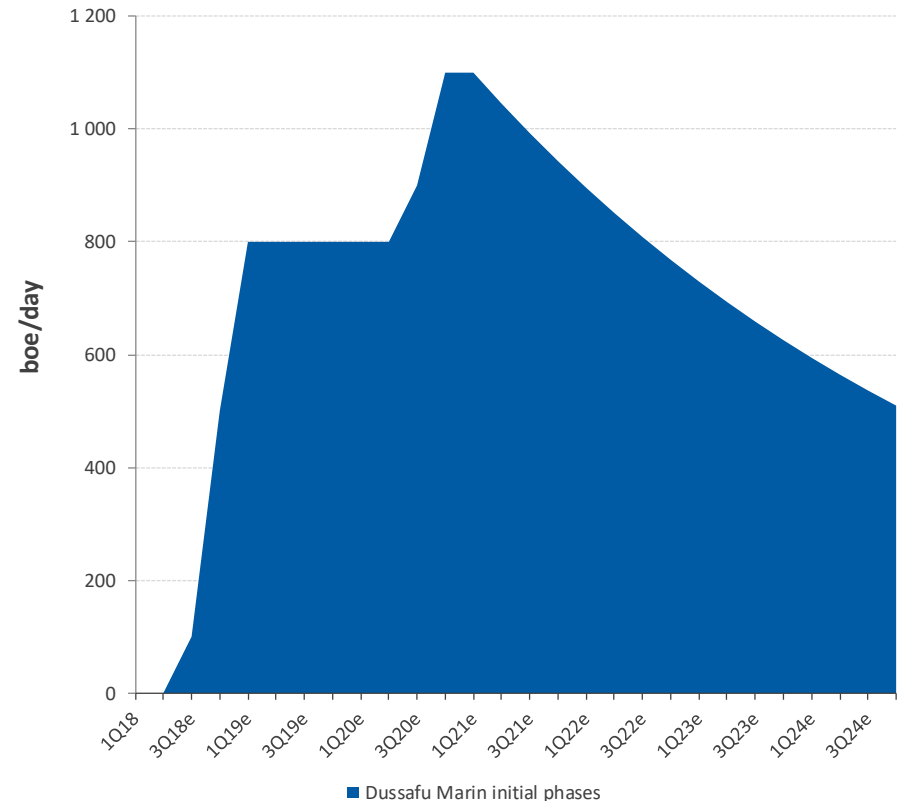
- **First oil achieved**

- » In mid September 2018 Panoro and operator BWO announced that first oil production has started from the Tortue field, within the Dussafu PSC, offshore Gabon.
- » In our view, first oil from Dussafu was an important millstone for the company and derisked our valuation of the assets.
- » Over the next few quarters, we expected production to increase significantly.

- **Successful appraisal well**

- » In addition, the company completed a successful drilling of the Ruche North East appraisal well located in the Dussafu license.
- » The results from the well showed 15 meters of good quality oil pay encountered in the Gamba Formation and 25 meters of oil pay in stacked reservoirs within the Dentale Formation.

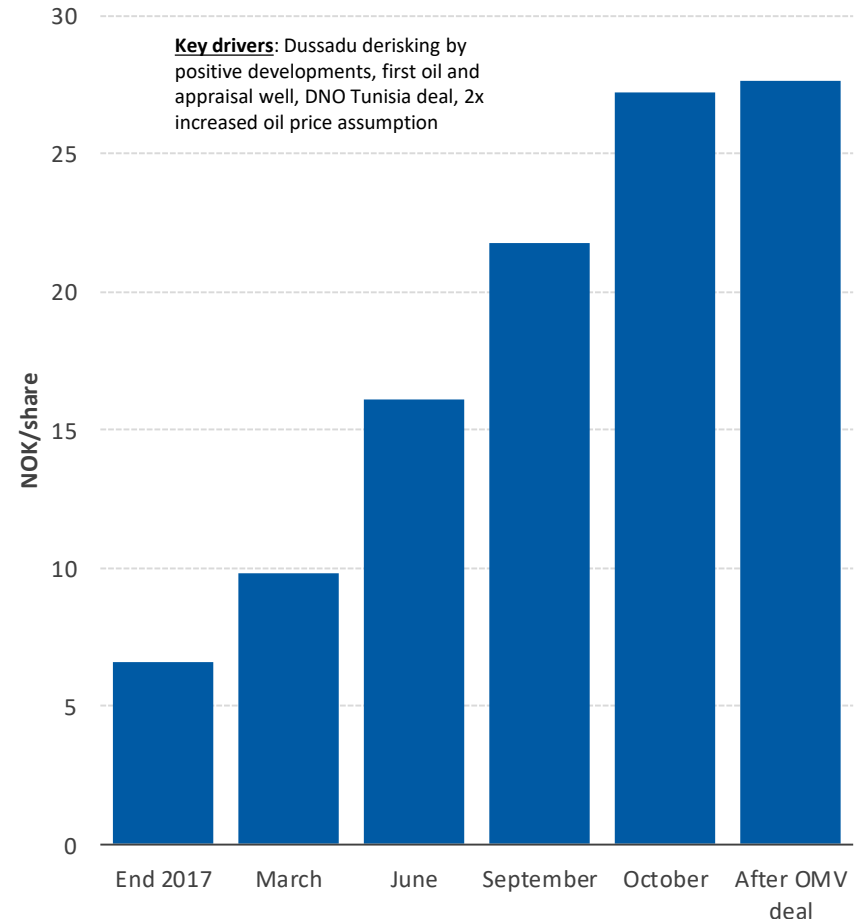
Dussafu production profile



6) Management has created NAV increase and established a platform for becoming a full cycle Africa-focused E&P

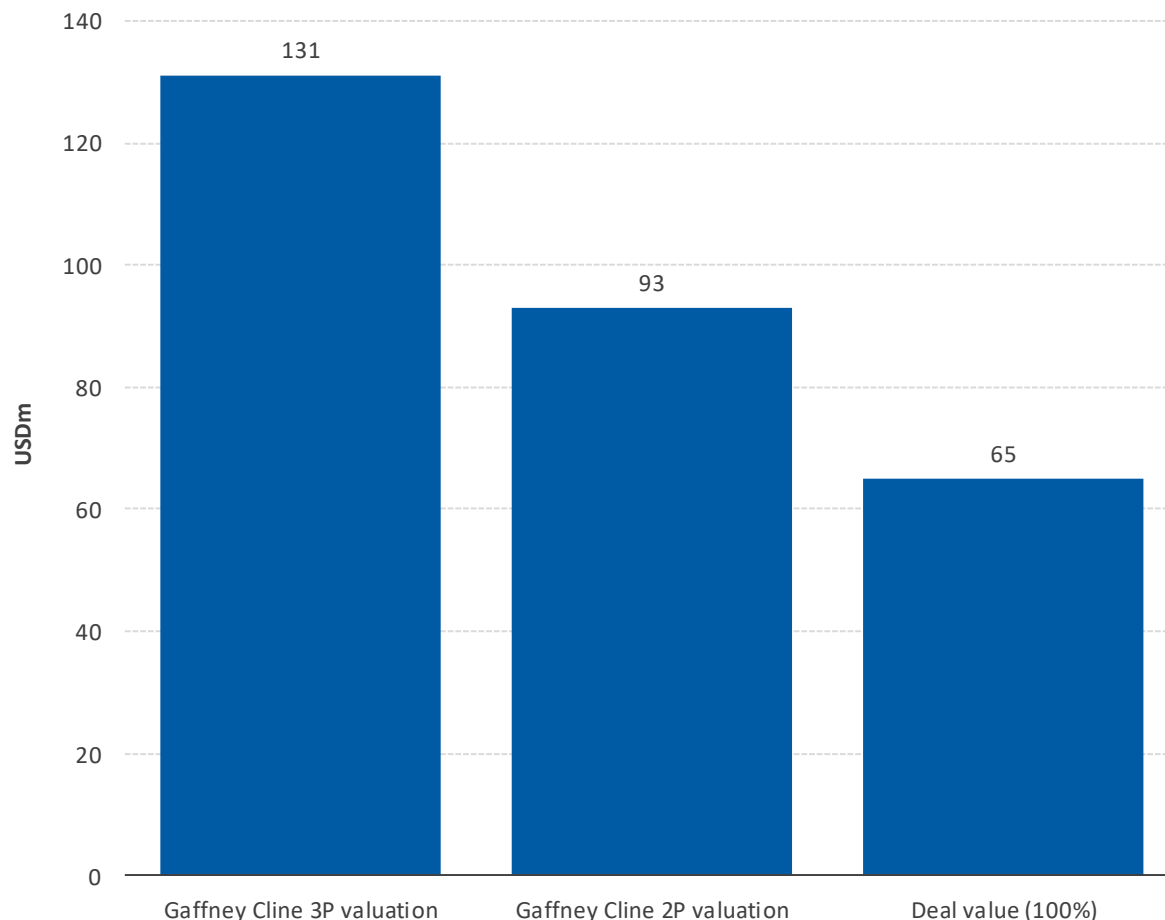
- Over the past few quarters, Panoro has made significant progress to become a full cycle Africa-focused E&P and we have seen materially NAV growth due to a number of factors:
 - » First oil at Dussafu
 - » Successful appraisal well
 - » Acquisition of DNO Tunisia
 - » Higher oil price forecasts
- The proposed acquisition of OMV Tunisia will contribute to form an excellent platform for future growth. We believe further M&A in North and West Africa still is high on the agenda for the company.

NAV growth (SB1M estimate)*



7) OMV assets acquired at a significant discount do third party valuation

Gaffney Cline valuation vs. deal value



- The acquisition of TPS is made at a significant discount to Gaffney Cline's third party valuation
- Gaffney Cline report to Panoro dated August 2018 is based on USD 68/bbl Brent for 2018 and USD 65/bbl thereafter. NPVs does not include USD 10m free cash generated in H1 2018.

8) Spectacular earnings estimate increase after OMV deal (if deal is completed)

| P & L, USDm | New | | | Old | | | Changes | | |
|---------------------|------------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|------------------|------------------|
| | 2018e | 2019e | 2020e | 2018e | 2019e | 2020e | 2018e | 2019e | 2020e |
| Total revenues | 13 | 56 | 62 | 13 | 30 | 34 | 5 % | 89 % | 84 % |
| EBITDA | 1 | 25 | 30 | 1 | 13 | 15 | -54 % | 97 % | 103 % |
| EBIT | -4 | 10 | 13 | -2 | 3 | 3 | 55 % | 238 % | 413 % |
| Pretax profit | -4 | 10 | 13 | -3 | 2 | 2 | 45 % | 308 % | 557 % |
| Net income | -4 | 9 | 12 | -3 | 2 | 2 | 44 % | 334 % | 639 % |
| Rec. EPS | -0.09 | 0.15 | 0.20 | -0.05 | 0.03 | 0.02 | 83 % | 463 % | 859 % |
| Net cash (debt) | -7 | 4 | 10 | 5 | 11 | 8 | -248 % | -67 % | 28 % |
| Production, boe/d | 520 | 2 700 | 2 992 | 445 | 1 125 | 1 371 | 17 % | 140 % | 118 % |

Producers trade at higher multiples vs. developers

- In our E&P coverage, we observe that companies that have a material portion of its GAV related to production trade at higher multiples compacted to companies with a large portion of developments. For example, the average EV/GAV for our entire coverage universe is 0.75x, while the average for companies that we classify as “developers” trade at around EV/GAV 0.66x and “producers” at ~0.78x.
- I.e., it looks like the market assigns a premium (or lower discount rate) for production risk. That effect comes in addition to our internal risk assessment.
- After the OMV deal, Panoro will likely be more associated with producers than developers, which we believe has been the case over the past few years.

| Company | Ticker | Mcap, USDm | Share Price (local fx) | Target (local fx) | Rec. | EV/GAV | P/NAV | P/CORE NAV | Prod. | Discov. | Explor. | Net cash (debt) & other |
|-------------------------------|--------|------------|------------------------|-------------------|-------------|--------|-------|------------|-------|---------|---------|-------------------------|
| Africa Energy | AEC | 91 | 1.2 | 2.6 | Buy | 0.49x | 0.43x | -4.02x | 0.0 | 0.0 | 3.0 | -0.3 |
| Africa Oil | AOI | 492 | 9.8 | 16 | Buy | 0.92x | 0.92x | 1.24x | 0.0 | 7.0 | 2.7 | 1.0 |
| Aker BP | AKERBP | 11 488 | 264.2 | 345 | Buy | 0.97x | 0.97x | 1.00x | 124.5 | 128.9 | 6.5 | 11.2 |
| DNO | DNO | 2 068 | 16.2 | 22 | Buy | 0.76x | 0.77x | 0.81x | 14.9 | 2.0 | 1.1 | 3.0 |
| Equinor | EQNR | 84 227 | 215.9 | 240 | Buy | 0.93x | 0.92x | 0.92x | 151.7 | 96.6 | 0.0 | -13.1 |
| Faroe Petroleum | FPM | 714 | 148.0 | 195 | Buy | 0.58x | 0.65x | 0.69x | 68.4 | 108.9 | 12.9 | 36.8 |
| Genel | GENL | 802 | 223.0 | 340 | Buy | 0.40x | 0.59x | 0.59x | 197.3 | 55.8 | 2.0 | 122.0 |
| International Petroleum Corp. | IPCO | 395 | 44.4 | 75 | Buy | 0.80x | 0.75x | 0.75x | 61.6 | 0.3 | 0.3 | -3.0 |
| Lundin | LUPE | 10 610 | 272.1 | 330 | Trading Buy | 1.12x | 1.16x | 1.22x | 64.1 | 244.2 | 11.3 | -85.9 |
| Maha | MAHA A | 160 | 15.7 | 26 | Buy | 0.64x | 0.58x | 0.60x | 29.1 | 0.8 | 0.8 | -3.8 |
| Panoro | PEN | 88 | 16.2 | 24 | Neutral | 0.64x | 0.59x | 0.65x | 19.5 | 10.1 | 2.7 | -4.6 |
| Questerre | QEC | 136 | 3.1 | 6 | Buy | 0.69x | 0.66x | 0.74x | 4.3 | 0.4 | 0.5 | -0.4 |
| Shamaran | SNM | 180 | 0.8 | 1.6 | Buy | 0.61x | 0.45x | 0.47x | 1.3 | 1.2 | 0.1 | -0.8 |
| Tethys | TETY | 352 | 94.8 | 105 | Neutral | 0.83x | 0.86x | 0.87x | 44.7 | 43.2 | 1.5 | 20.8 |
| Wentworth | WRL | 54 | 2.2 | 3.3 | Neutral | 0.80x | 0.71x | 1.10x | 3.3 | 0.0 | 1.1 | -1.3 |
| Average all | | | | | | 0.75x | 0.74x | 0.83x | | | | |
| Average developers | | | | | | 0.66x | 0.65x | 0.82x | | | | |
| Average producers | | | | | | 0.78x | 0.78x | 0.85x | | | | |

NAV sensitivities

| | | NAV | | | | |
|----------------------|----|----------------|------|------|------|------|
| | | <u>USD/NOK</u> | | | | |
| | | 7.00 | 7.50 | 8.00 | 8.50 | 9.00 |
| Oil price USD/bbl | 45 | 7.5 | 8.0 | 8.6 | 9.1 | 9.7 |
| | 50 | 9.9 | 10.6 | 11.3 | 12.0 | 12.7 |
| | 55 | 12.2 | 13.1 | 13.9 | 14.8 | 15.7 |
| | 60 | 14.6 | 15.6 | 16.6 | 17.7 | 18.7 |
| | 65 | 16.9 | 18.1 | 19.3 | 20.5 | 21.7 |
| | 70 | 19.2 | 20.6 | 22.0 | 23.4 | 24.7 |
| | 75 | 21.6 | 23.1 | 24.7 | 26.2 | 27.8 |
| | 80 | 23.9 | 25.6 | 27.4 | 29.1 | 30.8 |
| | 85 | 26.3 | 28.2 | 30.0 | 31.9 | 33.8 |
| | 90 | 28.6 | 30.7 | 32.7 | 34.8 | 36.8 |
| | 95 | 31.0 | 33.2 | 35.4 | 37.6 | 39.8 |

NAV sensitivities

| | | 2020e EPS USD/NOK | | | | |
|----------------------|----|----------------------|-------|-------|-------|-------|
| | | 7.00 | 7.50 | 8.00 | 8.50 | 9.00 |
| Oil price USD/bbl | 45 | -2.04 | -2.18 | -2.33 | -2.47 | -2.62 |
| | 50 | -1.60 | -1.71 | -1.83 | -1.94 | -2.06 |
| | 55 | -1.16 | -1.24 | -1.33 | -1.41 | -1.49 |
| | 60 | -0.72 | -0.77 | -0.83 | -0.88 | -0.93 |
| | 65 | -0.29 | -0.31 | -0.33 | -0.35 | -0.37 |
| | 70 | 0.15 | 0.16 | 0.17 | 0.18 | 0.20 |
| | 75 | 0.59 | 0.63 | 0.67 | 0.72 | 0.76 |
| | 80 | 1.03 | 1.10 | 1.17 | 1.25 | 1.32 |
| | 85 | 1.47 | 1.57 | 1.67 | 1.78 | 1.88 |
| | 90 | 1.90 | 2.04 | 2.18 | 2.31 | 2.45 |
| | 95 | 2.34 | 2.51 | 2.68 | 2.84 | 3.01 |

Overview of TPS assets (OMV)

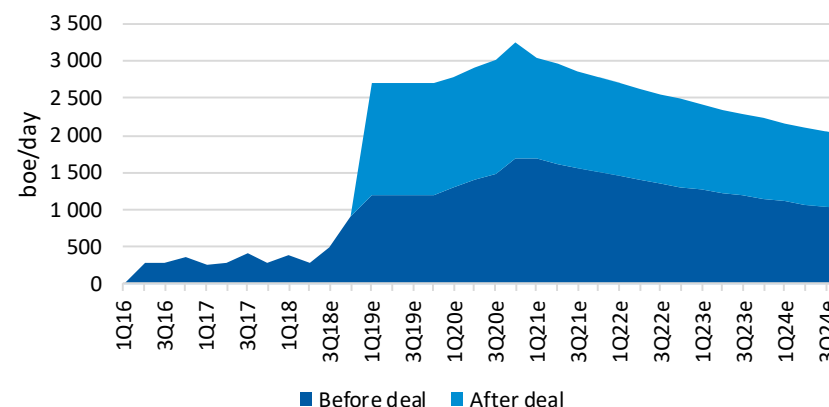
TPS assets (OMV)

- Panoro has agreed to acquire OMV Tunisia Upstream GmbH, a company with:
 - » 49% interest in five different oil field concessions. The concessions are located close to Panoro's current assets on the Sfax Offshore Exploration Permit.
 - » 50% equity interest in Thyna Petroleum Services (TPS). TPS is the operator of the five field and is a 50/50 joint venture between Panoro and the Tunisian National Oil Company ETAP, which has the remaining 51% interest of the oil field concessions.
- The TPS assets include three onshore and two shallow water with high quality conventional oil production, long life, low decline and high operational margins.
 - » Producing 4,000 boe/day (gross)
 - » 19 mmbbl 2P reserves and 5 mmbbl 2C resources (gross)
 - » Opex of USD 12-15/bbl, resulting in high operational margins
 - » Excellent oil pipeline infrastructure with connection to export terminal
- We find the acquisition price of USD 65m very attractive as we estimate it to be more than 40% discount to NAV at USD 80/bbl long term oil price.

Tunisia

- Produced oil since 1996 and are currently producing 100,000 boe/day.
- Attractive low opex environment with high presence from oil services providers.
- Majors have invested and showed interest in the country the last three years (Shell, ENI, Petrofac, Perenco, etc.).
- Tunisia's national oil company, ETAP, has interests in every producing asset and are considered to be a professional counterparty.

Boe/day production increase

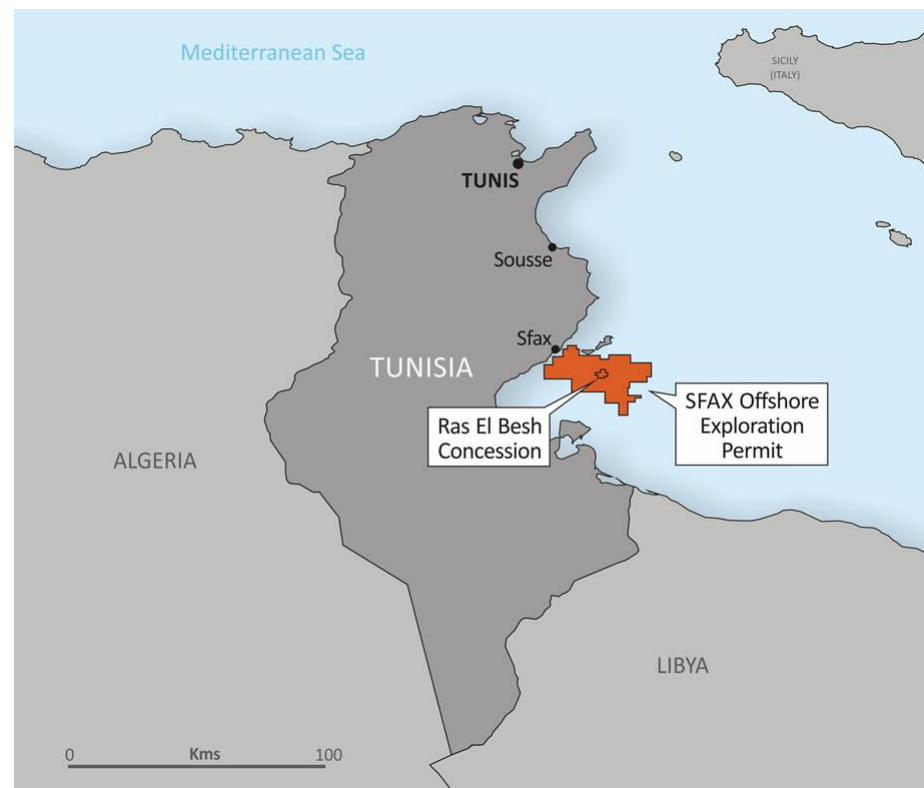


Tunisia operations – Development and exploration

Comments

- Tunisia has produced oil and gas since 1966 and produces approximately 100,000 boe/day today. There are significant presence from oil service providers due to the low opex environment the country benefits from.
- Panoro has 52.5% participating interest and operates the SFAX Offshore Exploration Permit, an asset they acquired through the DNO Tunisia acquisition earlier this year. There are three discoveries on the permit:
 - » Rash El Besh
 - » Salloum
 - » Jawahra
- The three oil discoveries are estimated to contain a gross recoverable of 20 mmboe. In addition, 13 exploration targets has been identified with a P50 unrisks gross estimate of 250 mmboe.
- The partners are currently working towards permit renewal and renegotiation of unfulfilled work obligations.

Tunisia licenses

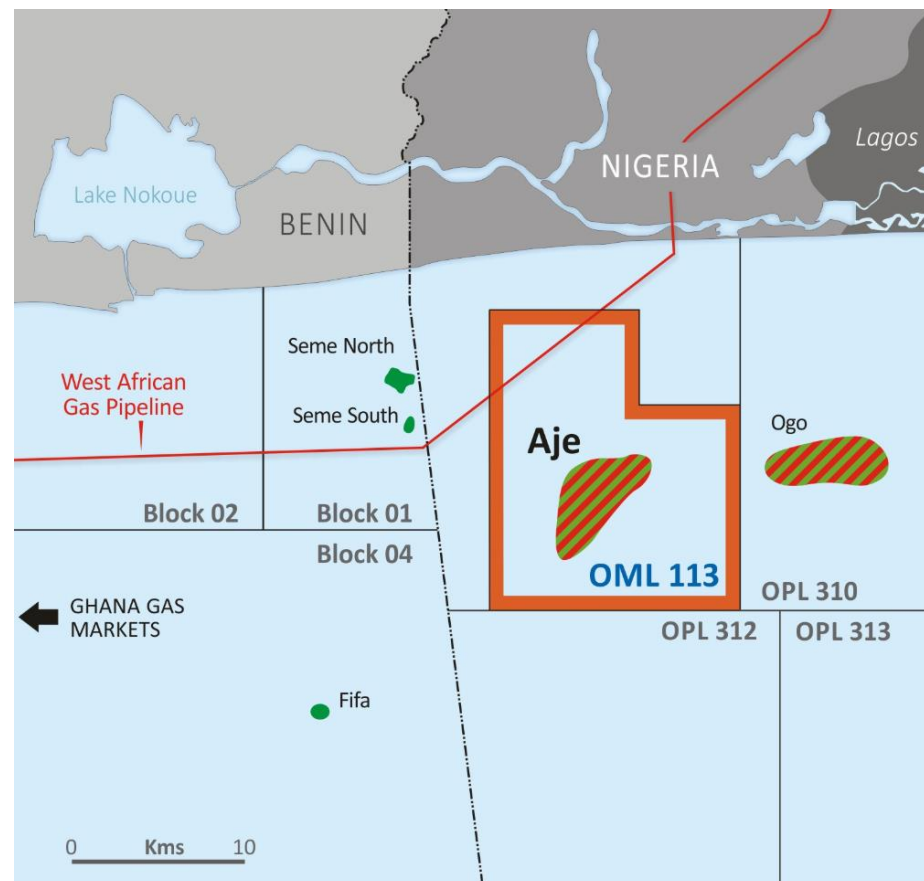


Nigeria operations – Production at Aje

Comments

- Nigeria is the largest oil and gas producer in Africa, and is one of the members of OPEC. The country has produced oil since 1958, with a current production of ~2.6 mmboe/day.
- Panoro has 12.2% revenue interest, 16.3% paying interest and 6.5% working interest in the OML 113 block which is operated by Yinka Folawiyo Petroleum, one of the leading indigenous oil companies in Nigeria. The license contains the Aje field as well as numerous exploration prospects. OML 113 has 127.1 mmboe certified 2P reserves (gross), net 20 mmboe to Panoro (15.7% 2P interest average).
- The Aje field was discovered in 1997 and it has since that been drilled five wells in three different reservoirs. Aje-5, the fifth and last well, was drilled in 2015 and is together with the Aje-4 well currently producing ~450 boe/day (net).
- The partners are planning a new gas condensate development project on one of the reservoirs (Turonian). The project is expected to involve three or four wells producing over 500 bcf of gas, 22 mmbbls of condensate and 40 mmbbls of LPG.

Aje field

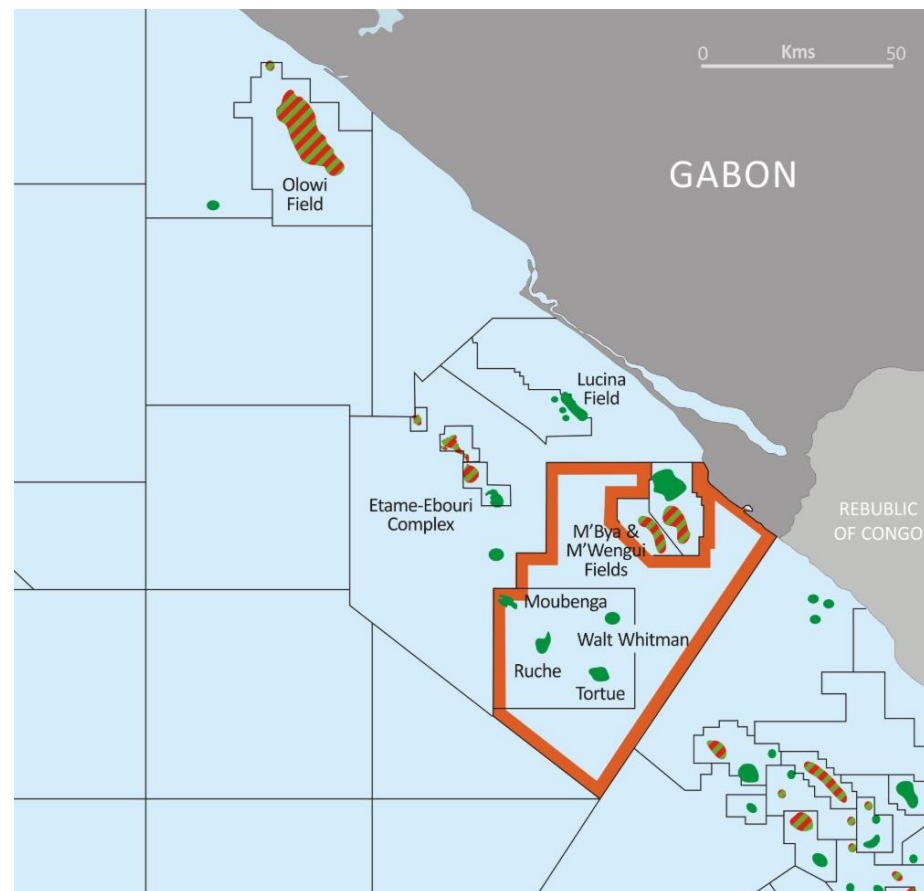


Gabon operations – Production at Dussafu

Comments

- Gabon is the fourth largest producer and exporter of crude oil in Africa south for the Sahara desert. The country has a long history of oil and gas investments since the 1960's and has a production of ~270,000 boe/day.
- The Dussafu license is operated by BW Energy Gabon (91.66%) and with Panoro holding the remaining 8.33%. The permit consists of four oil fields: Ruche, Tortue, Moubenga and Walt. The permit is estimated to hold 23.5 mmboe 2P reserves (gross) and 11.6 mmboe 2C resources.
- The Tortue field started producing in September 2018. This is the first producing field on the block, with current outflow in the middle of 10,000-15,000 boe/day. The licensees are planning a Phase 2 expanding to up to four additional production wells. First oil for the second phase is scheduled for 2020.
- Another recent oil discovery was made August 2018 on the Ruche North East field. In addition, three other prospects has matured into potential drilling targets. These are high potential prospects with ~500 mmboe gross prospective resources.

Dussafu license



Key partners in OMV deal: Beender Petroleum and Mercuria

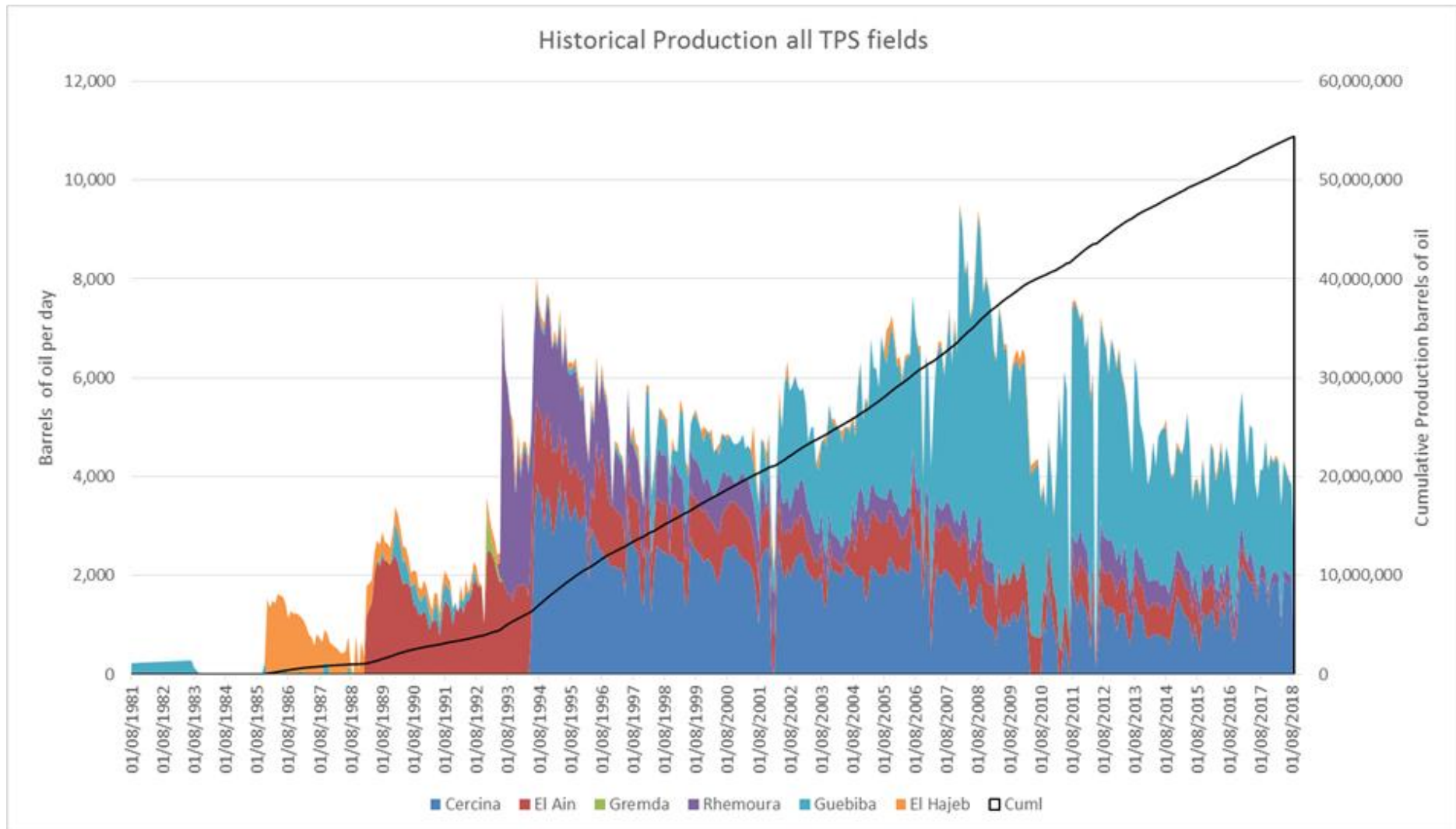
Beender Petroleum

- Experienced oil and gas investor with significant operational experience in Tunisia and globally
- Worked hand in hand with Panoro on OMV sales process
- Full participation in data room
- Sole owner is Slim Bouricha, a well known Tunisian entrepreneur
- Strategic partnership with Panoro to jointly pursue upstream opportunities in Tunisia
- Will hold ~40% of Panoro subsidiary holding both Tunisian assets
- Full paying partner investing on equal terms as Panoro

Mercuria

- Strategically partnered with Panoro on many opportunities in the past
- Providing loan facility of up to USD 35m against TPS assets
 - » USD 27m, 5 year senior acquisition facility
 - » USD 8m, 6 year junior facility (optional, to be drawn within 6 months of closing)
- Will provide hedging facilities to protect downside to current oil prices
- Will market Tunisian crude production
- Key acquisition loan terms:
 - » Libor plus 6% pa interest rate on senior, 1.25% upfront fee
 - » Libor plus 8% pa interest rate on junior, 4.00% upfront fee payable in Panoro shares

Historical production all TPS fields



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Current recommendations of the Research Department: (refers to Recommendations published prior to this report and required disclosed in accordance with the Securities Trading ST Regulations section 3-11 (4))

Current Recommendation of the Research Department

| Recommendation | Percent |
|----------------|---------|
| Buy | 60.0% |
| Neutral | 22.1% |
| Sell | 17.9% |

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