

PA RESOURCES AB (publ)  
Corporate Identity number 556488-2180

## PA Resources' Annual Statement of Reserves 2009

### Summary

On a net working interest basis, PA Resources' total proved and probable (2P) oil and gas reserves amounted to 78.9 (107.5) million barrels of oil equivalent (mmboe) at December 31st, 2009. The total 2009 proved and probable (2P) is comprised of 100 percent oil and condensate, compared to the 2008 proved and probable (2P) comprised of 60 percent oil and condensate and 40 percent gas. This increase is mostly due to the reclassification as Contingent Resources of gas resources at the Elyssa and Zarat Fields in Tunisia. The total proved reserves (1P) are estimated to be 51.8 (8.9) mmboe at December 31st, 2009.

### Background

PA Resources classifies reserves and resources according to the 2007 guidelines and classification system established in the Petroleum Resources Management System of the SPE/AAPG/WPC/SPEE ('PRMS 2007'). The accounts of PA Resources' reserves also follow guidelines published by the Oslo Bors which were revised in December 2009.

PA Resources AB provides this Annual Statement of Reserves in accordance with Oslo Bors' Circular No. 9/2009 issued in December 2009. PA Resources reserves and resources at December 31st, 2009 were disclosed to the market in the 2009 Full Year Report that was issued on February 17th, 2010.

In accordance with the December 2009 revised requirements of the Oslo Bors, in late 2009 the group appointed as its independent reserve auditors McDaniel and Associates Consultants Limited of Calgary, Canada ('McDaniel') a respected and long-standing Canadian company specialising in international oil and gas reserve evaluations. An external review and audit by McDaniel of the group's reserves and resources then immediately commenced. This process has been completed for the Didon Field in Tunisia but not yet for the group's other fields containing reserves. Specifically in the case of the Azurite Field in the Republic of Congo and the Aseng Field in Equatorial Guinea respectively, development drilling is currently ongoing and PA Resources has elected to complete an independent review of those fields for year-end 2010 with the benefit of data from development drilling. It is intended that the review/audit process will be completed by year-end 2010 and PA Resources will at that time be fully compliant with the new requirements of the Oslo Bors.

This reserves statement has been prepared by the individuals having responsibility for reserves accounting in PA Resources' subsidiaries, and compiled by PA Resources AB. It is based on information from joint venture operators, internal assessments or McDaniel's evaluations as specified under the table PA Resources' Net working interest Reserves.

The Brent crude oil price forecast published by McDaniel and Associates Consultants Ltd. as of 1<sup>st</sup> January 2010 has been used in these reserve assessments, with adjustment to reflect the quality of PA Resources' West African and Tunisian crude oils based on historic realised prices for the crude oil PA Resources produces in the Republic of Congo and Tunisia.

Year	2010	2011	2012	2013	2014	2015	2016 onwards
Brent crude USD/bbl	78.5	82.1	85.8	89.7	93.7	97.7	+2% p.a.

## ANNUAL STATEMENT OF RESERVES 2009

A conversion factor of 6 has been used to convert billions of cubic feet of gas to millions of barrels of oil equivalent.

Under the PRMS 2007 classification scheme, reserves are those quantities of hydrocarbons anticipated to be commercially recoverable. Non commercial discovered quantities are classified as Contingent Resources (hydrocarbons in known accumulations not currently commercially recoverable for a range of reasons such as insufficient evaluation of the accumulation through appraisal drilling) and undiscovered quantities are classified as Prospective Resources (hydrocarbons estimated to be recoverable from undiscovered accumulations).

In addition to reporting of reserves, the Oslo Bors also provides the option for companies to report quantities of petroleum in a category which the Bors entitles 'contingent resources'. These are defined by the Bors as being limited to quantities of petroleum which are commercial (or sub-commercial based on regulatory approval), where development is likely and justified on various criteria and where development planning has been initiated. In the PRMS 2007 system used by PA Resources there is no directly comparable category classification of either contingent resources or reserves which matches this definition, as shown in the table below. Since all commercial quantities of hydrocarbons are classified as reserves under the PRMS 2007 scheme and treated as such in this Statement of Reserves, therefore, in a change to its reporting for year-end 2009, PA Resources will no longer provide a tabulated summary of its contingent resources in the Annual Statement of Reserves. In compliance with the Oslo Bors Circular No. 9/2009 and as detailed below, discovered quantities of petroleum which are not currently considered as commercial and which therefore are not classified as reserves are no longer reported in this Annual Statement of Reserves.

<b>PRMS 2007 Classification</b>	<b>Oslo Bors Circular No. 9/2009, required reporting categories</b>
Reserves – on production	Reserves - developed assets
Reserves – approved for development	Reserves - under development
Reserves – justified for development	Reserves – non-developed assets
Contingent resources – development pending	Contingent resources sub-category which may be quantified in this Statement of Reserves
Contingent resources - development unclarified or on hold	These categories of Contingent and Prospective resources not to be the subject of quantified discussions in the Annual Statement of Reserves per Oslo Bors Circular No. 9/2009.
Contingent resources – development not viable	
Prospective resources - prospects	
Prospective resources - leads	

# ANNUAL STATEMENT OF RESERVES 2009

## Reserves

The quantification of PA Resources' reserves and movement in reserves during 2009 is shown in the following two tables.

### PA Resources ' Net working interest Reserves as of 31 December 2009

#### Developed assets\*

Region	1P/P90			2P/P50		
	Liquids (million bbl)	Gas (billion cf)	Total PAR (million boe)	Liquids (million bbl)	Gas (billion cf)	Total PAR (million boe)
North Africa (Tunisia)	4.3	0.7	4.4	6.5	1.1	6.7
West Africa (Republic of Congo)**	17.0	0.0	17.0	25.5	0.0	25.5
North Sea (UK, Denmark, Netherlands)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total PA Resources</b>	<b>21.3</b>	<b>0.7</b>	<b>21.4</b>	<b>32.0</b>	<b>1.1</b>	<b>32.2</b>

#### Assets under development

Region	1P/P90			2P/P50		
	Liquids (million bbl)	Gas (billion cf)	Total PAR (million boe)	Liquids (million bbl)	Gas (billion cf)	Total PAR (million boe)
North Africa (Tunisia)	0.0	0.0	0.0	0.0	0.0	0.0
West Africa (Equatorial Guinea)**	3.0	0.0	3.0	8.0	0.0	8.0
North Sea (UK, Denmark, Netherlands)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total PA Resources</b>	<b>3.0</b>	<b>0.0</b>	<b>3.0</b>	<b>8.0</b>	<b>0.0</b>	<b>8.0</b>

#### Non-Developed assets

Region	1P/P90			2P/P50		
	Liquids (million bbl)	Gas (billion cf)	Total PAR (million boe)	Liquids (million bbl)	Gas (billion cf)	Total PAR (million boe)
North Africa (Tunisia)	27.4	0.0	27.4	38.7	0.0	38.7
West Africa (Rep. Congo, Eq. Guinea)**	0.0	0.0	0.0	0.0	0.0	0.0
North Sea (UK, Denmark, Netherlands)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total PA Resources</b>	<b>27.4</b>	<b>0.0</b>	<b>27.4</b>	<b>38.7</b>	<b>0.0</b>	<b>38.7</b>

\* Source: Didon Field (Tunisia) – McDaniel and Associates Consultants Ltd., all other fields either internal PA Resources estimates compiled and reviewed by external consultants or operator's figures.

\*\* Incorporating the terms of the production sharing contract in Republic of Congo, on an entitlement basis West Africa Developed Reserves are 8.3 mmboe (1P) and 12.5 mmboe (2P). This estimate was made using the oil price assumptions and crude price discount discussed within this Annual Statement of Reserves.

## ANNUAL STATEMENT OF RESERVES 2009

### Development of PA Resources' Net working interest reserves during 2009

(Million barrels of oil equivalents)	Developed assets		Assets under development		Non-developed assets		Total	
	1P/P90	2P/P50	1P/P90	2P/P50	1P/P90	2P/P50	1P/P90	2P/P50
As of 31.12.2008	8.9	16.1	0.0	34.2	0.0	57.2	8.9	107.5
Production	-4.1	-4.1	0.0	0.0	0.0	0.0	-4.1	-4.1
Revisions of previous estimates*	-1.1	-6.1	20.7	0.0	27.4	-18.5	47.0	-24.6
New developments**	17.7	26.2	-17.7	-26.2	0.0	0.0	0.0	0.0
<b>As of 31.12.2009</b>	<b>21.4</b>	<b>32.2</b>	<b>3.0</b>	<b>8.0</b>	<b>27.4</b>	<b>38.7</b>	<b>51.8</b>	<b>78.9</b>

\* Revision of Developed Assets in Tunisia due to well performance and changes in assumed field decline rates. Revision of Assets Under Development and Non-Developed Assets to include 1P reserve figures previously unreported. Revision of Non-Developed Assets reflects changes in technical and economic assumptions.

\*\* Azurite Field in Republic of Congo has been re-classified as Developed Assets reflecting commencement of production in 2009.

### Management Discussion and Analysis

In North Africa, PA Resources has interests in six producing fields in Tunisia; Didon (100%), El Bibane (23.9%), Ezaouia (13.6%), Tamesmida (95%), Douleb (70%) and Semmama (70%). The reserves assessment for the Didon Field was made by McDaniel and as required by the Oslo Bors McDaniel's report is provided as an Appendix to this Annual Statement of Reserves. The reserves at the remaining fields are based on assessments by the joint venture operators or PA Resources staff.

In West Africa, PA Resources has interest in two fields where reserves are reported. The Azurite Field in the Mer Profond Sud production sharing contract in the Republic of Congo (35%) commenced production on 10th August 2009 and development drilling is ongoing. The Aseng Field (formerly Benita Field) in the Block I production sharing contract in the Republic of Equatorial Guinea (6%) commenced development in 2009 and development drilling started shortly after the end of this reporting period. Reserves in these fields have been assessed by the joint venture operators and reported to PA Resources, except in respect of the 1P reserve in Azurite which was assessed by external consultants on behalf of PA Resources. A review and audit of the reserves on both of these fields by McDaniel commenced with an initial review in late 2009 but was not completed at the reporting deadline. The development drilling programme on both fields is underway and PA Resources will update its reserves on these fields at year-end 2010 with the benefit of the new data from development wells drilled during the year.

The main reasons for the changes in reserves in 2009 are as follows:

#### Production:

- PA Resources' production during the year was 4.1 mmbob, which has reduced the 2P reserves as well as the 1P reserves by the corresponding amount. This reflects a full year of production from Tunisia and part-year production from the Azurite Field in the Republic of Congo, where production commenced in August 2009.

#### Revisions – North Africa:

- An independent evaluation of the reserves at Didon Field in Tunisia was undertaken by McDaniel at year-end 2009 (Appendix) and is in line with PA Resources' own estimates. Reserves at the Didon Field have been revised as a result of existing wells performing below expectations during the year.
- As a result of changes in technical and economic conditions and assumptions, 4.1 mmbob (of which 1.5 mmbob are in Didon Field) were reclassified from 2P Reserves to Contingent Resources and are not tabulated in this Annual Statement of Reserves as discussed above. These are resources that may be economic to produce in the future under certain circumstances.
- In the category Undeveloped Assets, work during the year enabled 1P reserves amounting to 27.4 mmbob to be defined, whilst changes in technical and economic parameters and assumptions have led to a reduction in 2P reserves of 18.5 mmbob. The decrease is mostly due to the reclassification as Contingent Resources of gas resources at the Elyssa and Zarat Fields in Tunisia. Re-evaluation of these fields has increased the quantity of oil and condensate assessed to be present, increasing the proportion of liquids from 25% to 60% on a barrel of oil equivalent basis. This reflects the fact that development of the fields will focus on production of oil and condensate, with reinjection of gas into the reservoirs to maximise recovery of liquids. It is anticipated that the gas can be produced at a later time when market conditions allow.

## ANNUAL STATEMENT OF RESERVES 2009

### *Revisions – West Africa:*

- Work during the year has enabled 1P reserves amounting to 20.0 mmbob to be defined for the Azurite Field in the Republic of Congo and Aseng Field in the Republic of Equatorial Guinea. Gas also held in the Aseng Field, which will be re-injected into the reservoir, is classified as Contingent Resources pending commercial development.

### *Development projects:*

- Following the commencement of production in August 2009, all reserves in the Azurite Field in the Republic of Congo have been reclassified from Assets Under Development to Developed Assets.

To the best of PA Resources' knowledge, where PA Resources is not the operator of a field, the operator has either publically reported reserves closely comparable to those of PA Resources, or has not publically reported reserves with which those of PA Resources can be compared. In any case, PA Resources reserves are closely aligned with those of its field operators, bearing in mind potential for minor differences arising from different economic forecasts such as oil price.

### **Disclaimer**

The statements and assumptions made regarding the estimates presented in this report represent PA Resources' best technical judgement. However, due to the uncertainty inherent in the interpretation of geological data and estimation of reserves, PA Resources cannot guarantee the accuracy and correctness of the statements and shall not be liable for any loss, cost of damages or expenses incurred or sustained by anyone resulting from the use of this information.

*Stockholm, 2010-03-29*

*PA Resources AB (publ)*



Ulrik Jansson  
President and CEO

(Appendix: McDaniel and Associates Consultants Limited Report, December 31<sup>st</sup> 2009)

February 10, 2010

**PA Resources AB**

Kungsgatan 44, 3rd floor  
SE-111 35 Stockholm  
Sweden

Attention: **The Directors, PA Resources AB**

Reference: **Didon Field Evaluation of Reserves and Resources as of December 31, 2009  
Executive Summary Report for the Annual Statement of Reserves**

Dear Sir:

**1 INTRODUCTION**

Pursuant to your request we have prepared an evaluation of the crude oil reserves and contingent resources for the Didon field in Tunisia for PA Resources AB (hereinafter referred to as the "Company" or "PA Resources") as of December 31, 2009. This evaluation was prepared to support regulatory filings with the Oslo Børs in Norway and specifically the Annual Statement of Reserves ("ASR"). This report is an executive summary of the work that was undertaken and as such provides limited detailed analysis.

The reserves and resources estimates have been prepared in accordance with the 2007 SPE/WPC/AAPG/SPEE Petroleum Resource Management System ("PRMS"). The format and content of this report are intended to comply with the Oslo Børs Circular 9/2009 - Listing requirements and disclosure requirements for oil and natural gas companies.

This evaluation was prepared during the period from December 2009 to February 2010 and was based on technical data to the end of December 2009. PA Resources has provided McDaniel with written representation that no new data or information has been acquired between December 31, 2009 and the date of this report which might materially impact our opinions in this report.

## 2 CORPORATE SUMMARY

PA Resources has an interest in the Didon field in Tunisia as summarized below.

Concession	Country	Operating Company	Contract Type	Interest	Contract Expiry Date	Area (sq.km)
Didon	Tunisia	PA Resources Tunisia Ltd.	Development and Production	100	Dec 1, 2027	52

### 2.1 Reserves

Crude oil reserves were assigned to the Didon field and PA Resources share of the crude oil reserves as of December 31, 2009 were estimated as follows:

#### Company Crude Oil Reserves as of December 31, 2009

	Proved Producing (1) (Mbbbl)	Proved Undeveloped (Mbbbl)	Total Proved (1) (Mbbbl)	Probable (1) (Mbbbl)	Total Proved & Probable (1) (Mbbbl)
Pre-Royalty (2)	3,407	-	3,407	1,805	5,211
Post-Royalty (3)	3,066	-	3,066	1,624	4,690

- (1) These reserves correspond to developed asset reserves within the ASR
- (2) Pre-Royalty reserves are based on Company working interest share of the reserves prior to the deduction of royalties.
- (3) Post-Royalty reserves are based on Company working interest share of reserves after the deduction of royalties.

The crude oil reserves are all considered developed and as such will be recovered by the existing wells. No undeveloped reserves were assigned because it is unclear at this stage whether additional wells will be economic to drill. One infill well has been assigned contingent resources which are detailed in Section 2.2.

The pre-royalty reserves presented above would translate into Table 1 of the ASR as follows:

#### Developed Assets

As of 31.12.09	1P / P90					2P / P50				
	Liquids Mbbbl	Gas Bcm	Interest Mboe	Net %	Net Mboe	Liquids Mbbbl	Gas Bcm	Interest Mboe	Net %	Net Mboe
Didon Field	3,407	-	3,407	100	3,066	5,211	-	5,211	100	4,690

## 2.2 Contingent Resources

Contingent resources were assigned to the Didon field and PA Resources share of the crude oil contingent resources as of December 31, 2009 were estimated to be as follows:

### Company Crude Oil Contingent Resources as of December 31, 2009

	Unrisked Low Est. (1) (Mbbbl)	Unrisked Best Est. (1) (Mbbbl)
Net Interest (2)	1,000	1,500

(1) The contingent resources are considered to be marginal contingent resources and as such meet the criteria of contingent resources within the ASR.

(2) Company net resources are based on working interest share of the property gross resources prior to the deduction of royalties.

The contingent resources summarized above were assigned to an additional drilling location within the southeast area of the Didon field. Further work is required to confirm the economic viability of the drilling location and whether the contingent resources can be re-classified as reserves.

## 3 RESERVES AND RESOURCES DEFINITIONS

The definitions employed in this evaluation conform to the 2007 Petroleum Resource Management System jointly published by the Society of Petroleum Engineers (“SPE”), World Petroleum Council (“WPC”), American Association of Petroleum Geology (“AAPG”) and the Society of Petroleum Evaluation Engineers (“SPEE”).

### 3.1 Resources

The term “resources” is intended to encompass all quantities of petroleum naturally occurring on or within the Earth’s crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered “conventional” or “unconventional.”

The resources classification framework is summarized in Figure 1 and a summary of the definitions are given below.



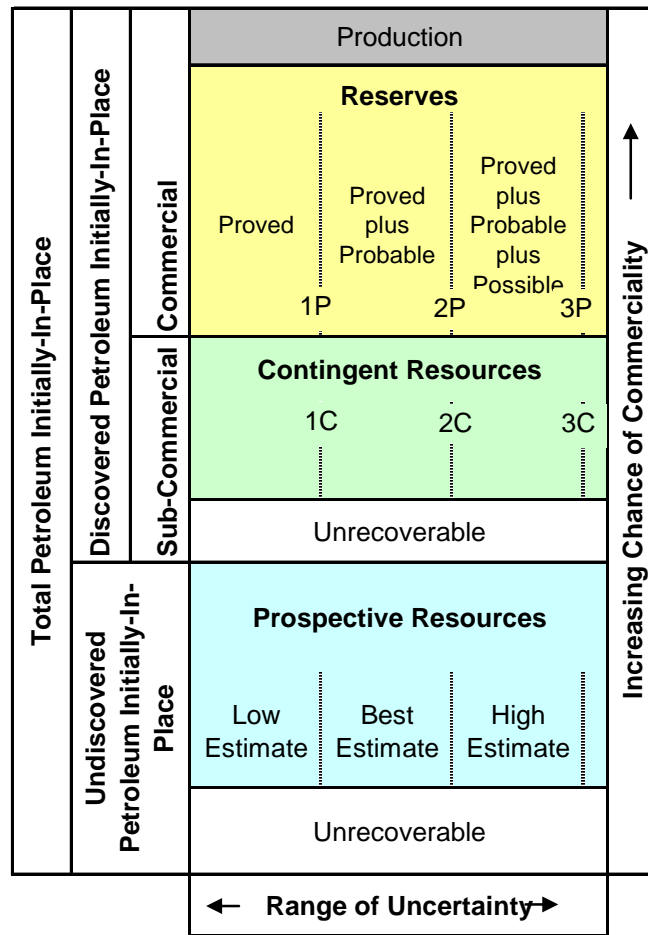
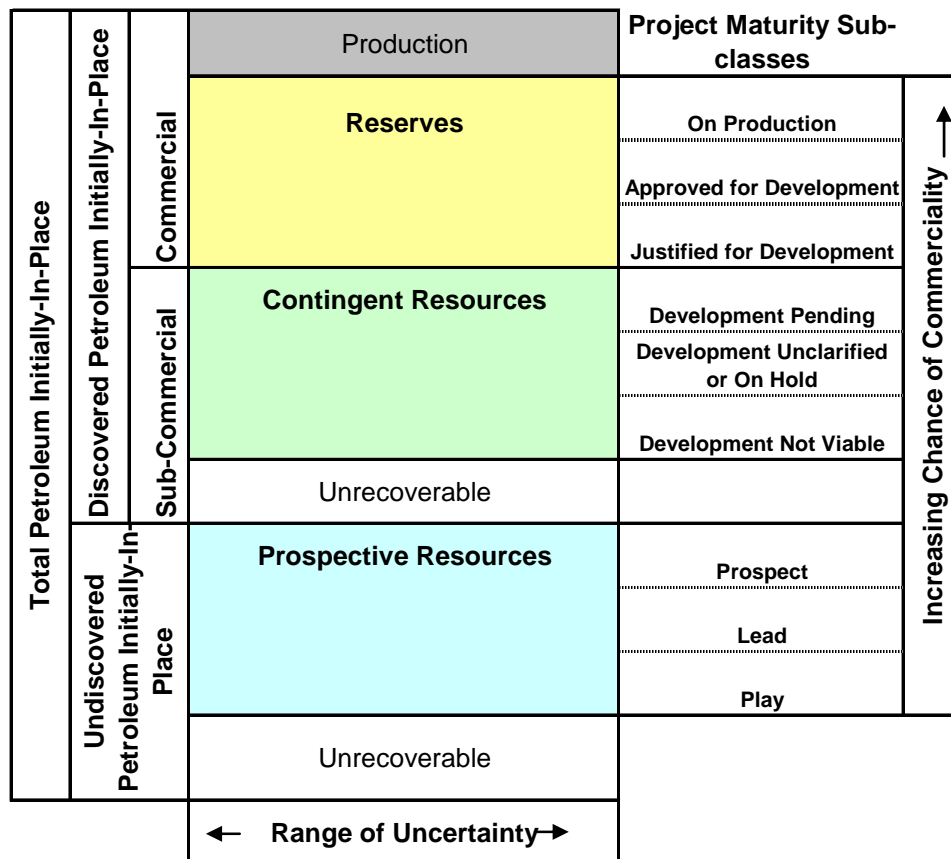


Figure 1 – Resource Classification Framework

The “Range of Uncertainty” reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the “Chance of Commerciality”, that is, the chance that the project that will be developed and reach commercial producing status.

The quantities estimated to be initially-in-place are defined as Total Petroleum-initially-in-place, Discovered Petroleum-initially-in-place and Undiscovered Petroleum-initially-in-place, and the recoverable portions are defined separately as Reserves, Contingent Resources, and Prospective Resources. Reserves constitute a subset of resources, being those quantities that are discovered (i.e. in known accumulations), recoverable, commercial and remaining.

It is also useful within the resources classification reporting system to subdivide the chance of commerciality axis according to project maturity. As illustrated in Figure 2, development projects (and their associated recoverable quantities) may be sub-classified according to project maturity levels and the associated actions (business decisions) required to move a project toward commercial production.



**Figure 2 – Sub-classes based on Project Maturity**

A description of the recoverable portions of the resource classification framework is given below.

**Reserves**

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

The reserve classification system is covered in Section 3.3.

**Contingent Resources**

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under

development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

### **Prospective Resources**

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

### **3.2 Range of Uncertainty**

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental (risk-based) approach, quantities at each level of uncertainty are estimated discretely and separately.

These same approaches to describing uncertainty may be applied to Reserves, Contingent Resources, and Prospective Resources. While there may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production, it is useful to consider the range of potentially recoverable quantities independently of such a risk or consideration of the resource class to which the quantities will be assigned.

### **3.3 Reserves Categories and Status**

For Reserves, the general cumulative terms low/best/high estimates are denoted as 1P/2P/3P, respectively. The associated incremental quantities are termed Proved, Probable and Possible.

Reserves are a subset of, and must be viewed within context of, the complete resources classification system.

### **Proved Reserves**

Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

### **Probable Reserves**

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

### **Possible Reserves**

Possible Reserves are those additional Reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

Reserves status categories define the development and producing status of wells and reservoirs.

### **Developed Reserves**

Developed Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

### **Developed Producing Reserves**

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

### **Developed Non-producing Reserves**

Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or, (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.

### **Undeveloped Reserves**

Undeveloped Reserves are expected quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

## **3.4 Contingent Resource Categories and Economic Status**

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively. No specific terms are defined for incremental quantities within Contingent Resources.

Contingent Resources may be broadly divided into two groups based on their economic status:

### **Marginal Contingent Resources**

Marginal Contingent Resources are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.

### **Sub-Marginal Contingent Resources**

Sub-Marginal Contingent Resources are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions.

### 3.5 Prospective Resource Categories

For Prospective Resources, the general cumulative terms low/best/high estimates apply. No specific terms are defined for incremental quantities within Prospective Resources.

### 3.6 Oslo Børs Circular 9/2009 Reserves and Resources Categories

Annex III of Circular 9/2009 from the Oslo Børs details the format for the disclosure of reserves within the ASR. Table 1 of the Annex requires that reserves are broken down into ‘developed assets’, assets ‘under-development’ and ‘non-developed assets’. In this report the term developed assets is taken to correspond to the developed reserves category. Assets under development is taken to correspond to those undeveloped reserves where the project has been approved and the development activity is underway. Finally the term non-developed assets is taken to correspond to those undeveloped reserves where the project is not yet underway.

## 4 PROPERTY OVERVIEW

The Didon field is located offshore Tunisia in the Gulf of Gabes close to the maritime border with Libya. Although the field was originally discovered in 1975, the Didon development concession was only awarded in 1997 with the field coming onstream in 1998.

Initial production was from a single subsea horizontal well (Didon-3H) tied back to an FPSO. An additional subsea horizontal well (Didon-4H) was drilled in 2002 followed by a field re-development in 2006 which installed a six slot wellhead platform. Since then another six horizontal wells have been drilled with the last one, Didon-10H, drilled in 2009. Production peaked at 20,000 bopd in 2007 and has subsequently declined to approximately 7,000 bopd at the end of 2009. To date the field has produced 28.5 million barrels of crude oil.

The field is covered by a 3-D seismic survey shot in 2003 and is interpreted to be an anticlinal structure within a NW-SE set of trending faults. The faults are interpreted to divide the field into a Central, Graben and East block with the majority of the development wells located in the structurally highest Central block. The reservoir is located at approximately 2,700 m ss in a Lower Eocene age limestone referred to as the El Gueria Formation with an oil column of approximately 45 meters. The reservoir has sections of porosity in the 14 to 18 percent range and contains crude oil with a density of 867 kg/m<sup>3</sup> (32 API).

PA Resources Tunisia Ltd is the operator of the field with focus primarily on minimizing production costs. Reservoir studies are being undertaken to establish if any further development activity can be justified.

## 5 RESERVES ESTIMATES

The reserves estimates determined in this evaluation were based on production decline analyses. Production data to the end of December 2009 was provided by PA Resources and analyzed by McDaniel on a well by well basis. The field appears to be receiving aquifer pressure support with wells cutting progressively more water during their life. Water partially underlies the wells and localized fracturing may play a role in the water cut development. In nearly all cases the wells appear as expected to be following an exponential decline and a different decline rate was selected to determine the 1P and 2P reserves for each well. The resulting production forecasts were rolled up to a field level and then cut-off at the field economic limit to define the total reserves. No undeveloped reserves have been assigned as part of this evaluation as it is unclear whether future wells can be economically justified.

A summary of the crude oil reserves for each reserves category is presented in Section 2.1.

## 6 CONTINGENT RESOURCES ESTIMATES

PA Resources provided the results of simulation work, carried out on their behalf, which indicates there are contingent resources associated with drilling an additional well in the southeast area of the Central block. The results of the simulation work was reviewed as part of this evaluation and found to be reasonable. PA Resources intend to carry out further study work to improve the predictive capabilities of the simulation model before deciding whether a new well is justified. The contingent resources assigned in this evaluation are presented on an un-risked basis in Section 2.2. If these volumes can be substantiated by further work they are likely to be economic and as such the contingent resources are considered to be marginal rather than sub-commercial.

## 7 PROFESSIONAL QUALIFICATIONS

McDaniel & Associates Consultants Ltd. has over 50 years of experience in the evaluation of oil and gas properties. McDaniel is registered with the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA). All of the professionals involved in the preparation of this report have in excess of 5 years of experience in the evaluation of oil and gas properties. Mr. Bryan Emslie, Senior Vice President and Mr. Paul Taylor, Associate both with McDaniel & Associates, were responsible for the preparation of this report. Mr. Emslie has over 25 years of experience in the evaluation of oil and gas properties and Mr. Taylor has over 20 years of experience. All of the persons involved in the preparation of this report and McDaniel & Associates are independent of PA Resources.

In preparing this report, we relied upon factual information including ownership, technical well and seismic data, production data, development plans, contracts, and other relevant data supplied by PA Resources. The extent and character of all factual information supplied were relied upon by us in preparing this report and has been accepted as represented without independent verification.

We have relied upon representations made by PA Resources as to the completeness and accuracy of the data provided and that all data provided to us was lawfully acquired.

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Sincerely,

**McDANIEL & ASSOCIATES CONSULTANTS LTD.**



B. H. Emslie, P. Eng.



P. M. Taylor, MEI CEng

<p><b>PERMIT TO PRACTICE</b> <b>McDANIEL &amp; ASSOCIATES CONSULTANTS LTD.</b></p> <p>Signature <u>          <i>AU</i>          </u></p> <p>Date <u>          Wednesday, February 10, 2010          </u></p> <p><b>PERMIT NUMBER: P 3145</b></p> <p>The Association of Professional Engineers, Geologists and Geophysicists of Alberta</p>
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