PA Resources Annual Report 2013

PA RESOURCES

Content

The formal annual report covers pages 23-29 and 41-80.

PA Resources in brief

PA Resources is an international oil and gas company that conducts exploration, appraisal, development and production of oil and gas assets.

- Assets in West Africa, North Africa and in the North Sea.
- Oil production in Equatorial Guinea and Tunisia.
- A total of 21 oil and gas licences, of which 7 are in production and 14 in the exploration phase.
- Operator of 7 licences and partner in the other licences.
- The group has a total of 112 employees in London, Stockholm and Tunisia.
- Domiciled and head office in Stockholm, Sweden.
- Listed on the NASDAQ OMX in Stockholm, Sweden.

Assets

7 assets in North Sea

- UK 1 licence
- Denmark 2 licences
- Netherlands 3 licences
- Germany 1 licence

8 assets in North Africa

- Tunisia 8 licences

6 assets in West Africa

- Republic of Congo (Brazzaville) 2 licences
- Equatorial Guinea 4 licences

Reserves and resources (Million barrels of oil equivalent)

14.1	21.6	59.8	157
1P reserves	2P reserves	Contingent resources	Prospective resources

2013 highlights

2013

Q1

- A rights issue raised SEK 604 million for PA Resources.
- PA Resources was granted an additional 50% of the Mer Profonde Sud licence in the Republic of Congo, and the licence was extended.
- Oil was encountered in an exploration well and its sidetrack on the Carla South prospect in Block I in Equatorial Guinea.

Q2

- A new board of directors was elected at the AGM in May.
- Farm-out of 70% of interest in PA Resources´ Tunisian off-shore assets to EnQuest.
- Proceeds of SEK 810 million were received through a rights issue and Gunvor Group increased its holding in PA Resources.

Q3

- Mark McAllister was appointed President and CEO.
- One-off decommissioning costs of SEK 469 million were reported in connection with decision to abandon the Azurite field.
- New bonds of SEK 750 million were issued, and the previous SEK 850 million bond loan was repaid.

Q4

- Production from the Azurite field ceased on 1 November and field abandonment commenced.
- Farm-out of 60% of interest in the Mer Profonde Sud permit in Congo to SOCO International.
- Farm-out of 40% of interest in 12/06 in Denmark and 56% of interest in B20008/73 in Germany to Dana Petroleum.

2014

Key financials 2013

	2013	2012
Average sales price, USD	108	111
Average production, barrels per day	4,600	7,900
Revenue, SEK million	1,312	2,184
EBITDA, SEK million*	536	1255
Operating profit, SEK million**	338	684
Profit before tax, SEK million***	132	85
Earnings per share after dilution, SEK	-21.54	-1,006.22
Profit margin, %	-102.2	-76.2
Equity per share before dilution, SEK	15.86	95.48
Equity/asset ration, %	32.9	24.7
Debt/equtiy ration, %	99.8	165.4

Excluding non-cash one-off costs of
* SEK 931 million (0)
** SEK 1,473 million (1,748)
*** SEK 1,127 million (1,748).

Outlook 2014

- Bring assets in Tunisia, Equatorial Guinea and Denmark towards development
- Investments of some USD 45 million, mainly concerning:
  - – Production enhancement Didon, Tunisia
  - – Diega in Equatorial Guinea
- Cash outlay of up to USD 40 million for early abandonment cost of Azurite
- New working capital credit facility of USD 50 million

Coverphoto: The drill rig and the tanker that collected the oil at the drill stem test at Diega I-8ST in Eqvatorial Guinea.

Statement from the CEO

PA Resources is in the midst of a renewal process designed to secure the long term health of the Company. The initial aims were to strengthen the balance sheet and to secure the short term capital needs of the business. At the same time, a strategic programme of portfolio rationalisation was put in place aimed at bringing in new partners with the requisite technical skills and financial strength to maximise the value of our exploration, appraisal, development and production assets.

Mark McAllister
President and CEO, PA Resources

When I took on the role of CEO in October 2013, this renewal process was already well underway. I agreed to join the Company because of the quality of that asset portfolio, the experience and talent of the PA Resources team and the financial strength and industry knowledge of the major shareholders. As I look back at what has already been achieved during 2013, I am confident that a foundation is being laid for long-term success.

Financial overview

Average production during the year decreased to 4,600 barrels per day (7,900). This was due in large part to the announcement we made in May that, as part of the programme of portfolio rationalisation, we had reached agreement with EnQuest plc to purchase 70% equity in our offshore Tunisian assets, including the producing Didon oil field. There was also some decrease on the previous year when Didon was shut in for several months while the FPSO vessel was taken into dry-dock for its 5 yearly recertification. We took the opportunity to complete a comprehensive upgrade of the vessel in preparation for a programme of production enhancements we have planned to extend the life of the Didon field. In November, production ceased from the Azurite field in the Republic of Congo which has now come to the end of its economic life and is being decommissioned.

Group revenue amounted to SEK 1,312 million (2,184) in 2013. Revenue decreased as a result of the lower production and a slightly lower oil price compared to last year. The Group's operating cash flow for the period was SEK -379 million (838). This negative cash flow is mainly attributable to payments made in the first quarter in connection with the termination of a planned well side-track on the Azurite field as well as payments made in the fourth quarter in connection with the early abandonment of Azurite.

Capital expenditure during the year totalled SEK 271 million, which was toward the lower end of our SEK 250-380 million forecast. A significant part of this investment was in the successful Diega appraisal well and subsequent production test.

> A key focus of our activity in 2014 will be to advance assets in each of our core areas – the North Sea, North Africa and West Africa – to the development stage and then into production over the next few years.

Strengthened finances

This has been a very active year with regard to financing activities, with two rights issues and a new bond loan. We are also well advanced in negotiations for a new USD 50 million working capital credit facility which will ensure that our cash flow needs for 2014 are met. We end the year with reduced gearing and a stronger balance sheet. This financing activity should be seen alongside the portfolio rationalisation programme which will access risk capital for key exploration and appraisal assets. Taken together, these initiatives will allow us to focus our attention on the longer term as we look to bring a number of assets through development and into production.

New partners

During the course of 2013, we announced that we had signed farm-out agreements in Tunisia, Republic of Congo, Denmark and Germany, all subject to regulatory approvals. Our agreement with EnQuest in Tunisia is intended not only to optimise the rehabilitation of Didon but also to secure the development of the Zarat field as well as the appraisal of the nearby Elyssa gas discovery. SOCO International will join us in the Mer Profonde Sud exploration area in Congo, based on our exploration team's encouraging re-evaluation of its prospectivity from newly reprocessed 3D seismic data. Similarly, Dana Petroleum will join us in licence 12/06 in Denmark and licence B20008/73 in Germany and will carry us through an appraisal programme designed to optimise the value of the discoveries PA Resources made in 2011.

These transactions, once all government approvals have been received, signal the conclusion of the strategic and targeted campaign of portfolio rationalisation that I mentioned above. In all three cases, we are introducing new operators to these assets with strong financial capability and highly relevant expertise. We are also significantly reducing the amount of capital required to bring our exciting portfolio of exploration, appraisal and development assets to production while retaining strong influence and upside exposure through remaining ownership levels of between 24% and 30%.

Building the inventory

During the year we drilled a successful appraisal well on the Diega discovery in Block I in Equatorial Guinea. The well was then sidetracked and subject to a series of production tests to determine the quality and continuity of the reservoir. The results of the tests are being analysed but it is already clear that the well has demonstrated very good reservoir quality and a significant oil accumulation. We look forward to seeing the Diega development plans from the operator Noble Energy in the coming months.

Looking to the future

A key focus of our activity in 2014 will be to advance assets in each of our core areas – the North Sea, North Africa and West Africa – to the development stage and then into production over the next few years. As these development plans become better defined during the course of the year, we shall be able to look at the phasing of the various projects to ensure that we optimise value created for the total level of capital deployed.

During the course of the year, we shall also begin our campaign of production enhancement on the Didon field in Tunisia and appraisal drilling on our Danish assets.

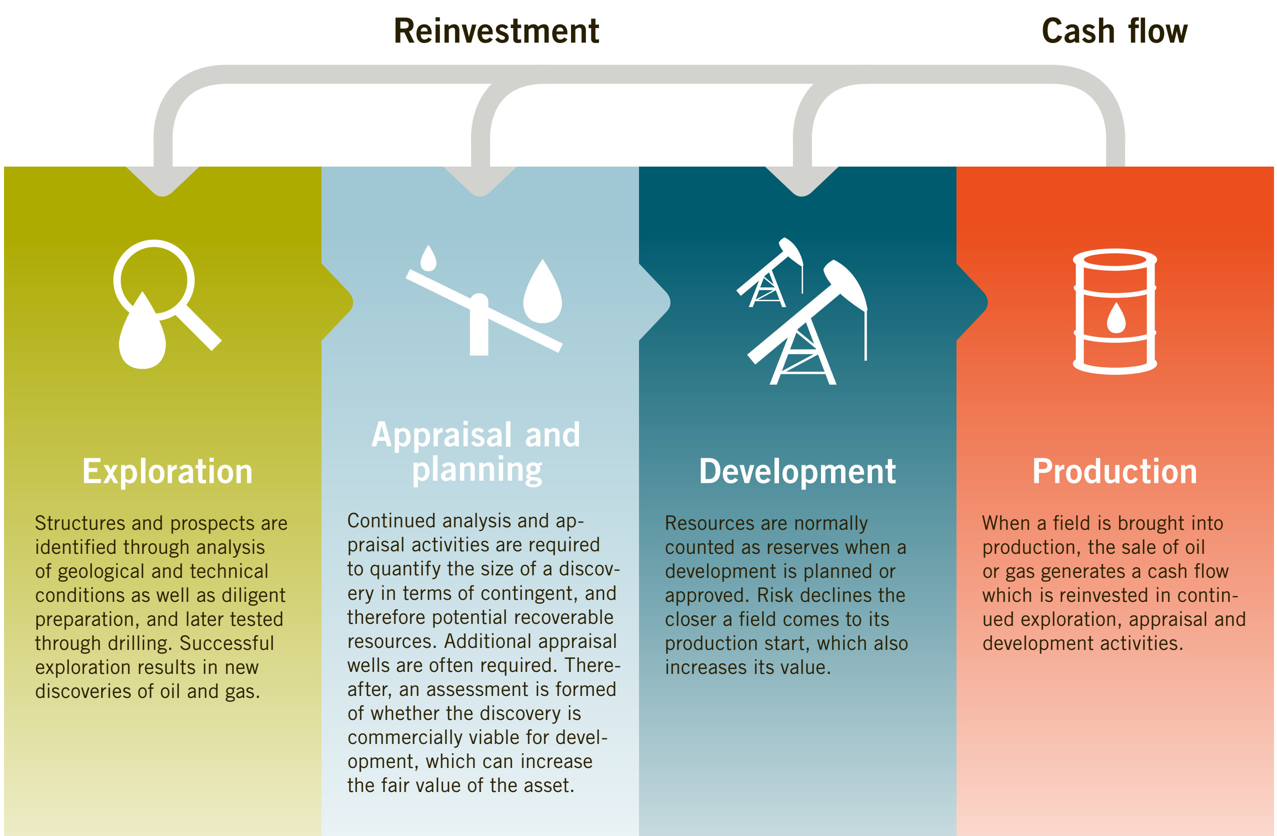
We still have a long way to go to realise the full potential of the PA Resources business but we have made a promising start. I believe that we have now assembled the management team for the task in hand and that, together with supportive shareholders and an experienced Board of Directors, we have the necessary ingredients for success.

Stockholm, March 2014

Mark McAllister, President and CEO

Business concept and model

PA Resources' business concept consists of the acquisition, development, extraction and divestment of oil and gas reserves, and exploration for new reserves. Production of oil generates important cash flow that contributes to the investments required to increase the Group's reserves. Geographically, PA Resources' core areas are: North Africa, West Africa, and the North Sea. The business model is illustrated below.



Value-enhancing measures

Active management of assets

To actively manage and refine the assets' value, various forms of transactions (changes in ownership interests) are utilised to reveal the assets' value and to reduce risk and level of investments.

Operational cash-flow

Cash flow from producing fields is used to finance the business and for reinvestment in the business.

Financing

Financing activities are continuously ongoing for planned and ongoing projects, which, in combination with operational cash flow, enables investments in future production growth.

Asset portfolio

PA Resources strives to maintain a diversified portfolio of assets that includes producing fields, development prospects and areas with exploration potential. PA Resources' asset portfolio contains a total of 21 oil and gas licences.

The balance between phases of exploration, appraisal, development and production will contribute to long-term growth and affect level of investment and thus level of risk.

Of the 21 licences 7 are producing and 14 are in the exploration phase. In 7 of the licences PA Resources is the operator and is partner in the other licences. Main focus of the investments program is to bring assets into development.

Portfolio management

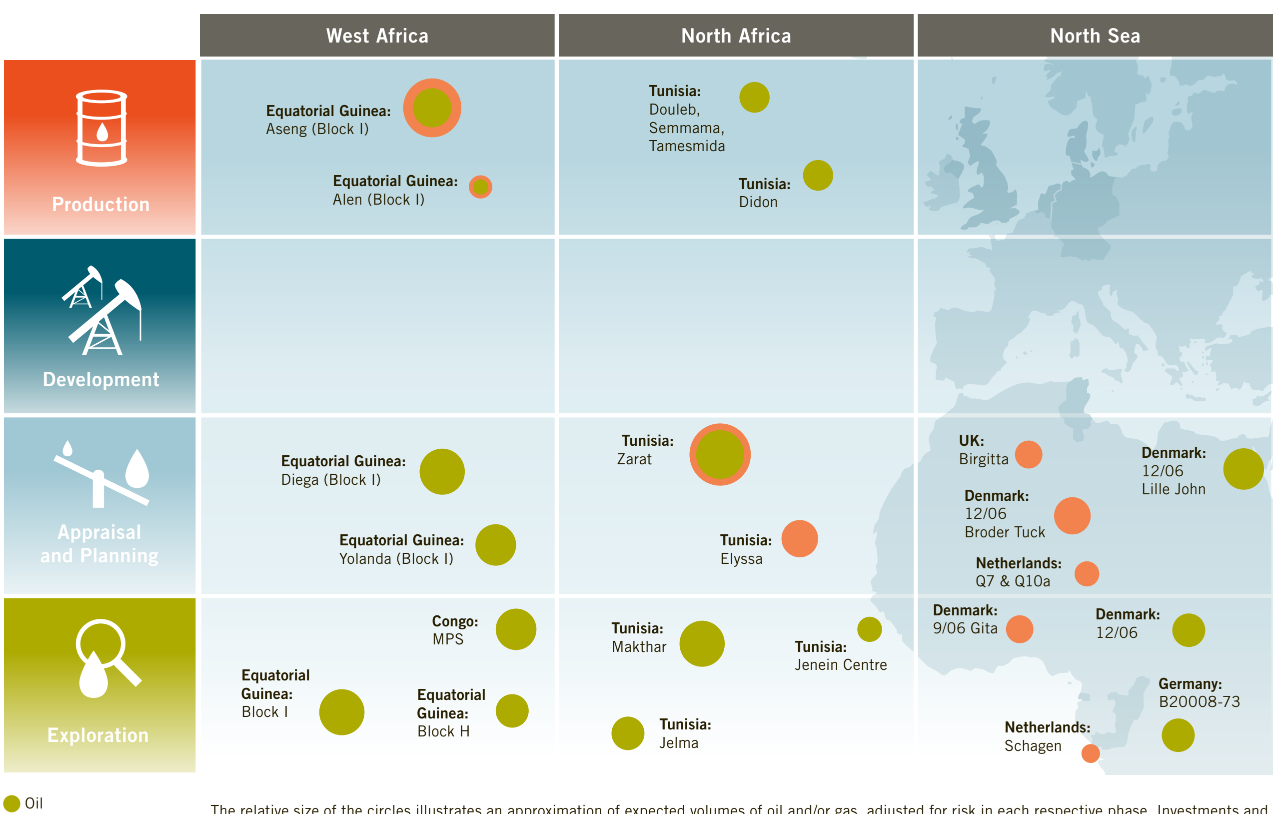
When a licence has achieved an increase in value through appraisal and development planning, it could be of interest to realise the rise in value. A farm-out of interests in the licence reduces the size of the investments and the consequent risked financial exposure. When oil licenses are considered to have great potential, while complementing the existing asset portfolio, it could be of interest to farm in the licence.

Licence changes and transactions in 2013

- PA Resources was granted an additional 50% of the Mer Profonde Sud licence in the Republic of Congo, and the licence duration was extended.
- Relinquishment of the Greenlandic licence 2008/17.
- Farm-out of 70% of working interest in PA Resources´ Tunisian assets to EnQuest. Transfer of operatorship to EnQuest is subject to approval of authorities.
- Farm-out of 60% of working interest in the Mer Profonde Sud permit in Congo to SOCO International.
- Farm-out of 40% of working interest in 12/06 in Denmark and 56% in B20008/73 in Germany to Dana Petroleum.

Overview of PA Resources' assets

On page 22 there is a complete description of the licences.



The relative size of the circles illustrates an approximation of expected volumes of oil and/or gas, adjusted for risk in each respective phase. Investments and ongoing activities are concentrated to the prioritised development projects and to the producing fields. Remaining exploration potential exists in various structures for assets that are not currently prioritised. Discoveries have been made previously on several of the assets.

Reserves and resources

PA Resources' reserves and resources comprise the volumes of oil, gas and other hydrocarbons that are assessed as being contained in the Group's fields and licences. Reserves declined during the year due to production, a small downward adjustment as a result of the closing of the Azurite field, and the impact of the farm-out of the off-shore Tunisian assets after closing. Apart from this, no activities that have had a material effect on the company's reserves have occurred.

Facts about the reserves

PA Resources' reserves are made up of oil or condensate and are contained in five Tunisian fields (Didon, Douleb, Semmama, Tamesmida, and Zarat) as well as the Aseng and Alen fields in Equatorial Guinea. At year-end, the proven and probable (2P) oil and gas reserves totalled 21.6 (55.7) million barrels of oil equivalents (mmboe) on a working interest basis. Of these, 14.1 (38.1) mmboe were proven (1P) reserves. This corresponds to 9.1 mmboe of 1P reserves and 14.0 mmboe of 2P reserves based on a net entitlement share. Net entitlement barrels are, expressed simply, those barrels that PA Resources receives after tax, and reflect the terms of the production sharing agreements in West Africa and the effects of taxes and royalties in Tunisia. All numbers for 2013 above take into account the farm-out of 70% interests in the company's Tunisian off-shore assets (approval awaited).

The major assets which account for the Group's reserves – the Aseng, Didon and Zarat fields – have either been independently audited or have been reviewed by third party consultants over recent years. No new reviews have been conducted at year-end 2013, but a full independent audit of the Group's reserve base is planned during the course of 2014.

Changes in reserves and resources in 2013

- Yearly production reduced reserves by 1.9 mmboe (1.7 after farm-out).
- After adjustment for the year's production, 2P reserves were revised downwards by 0.1 mmboe. The decrease was due to the cessation of production from the Azurite field.
- Contingent resources amounted to 59.8 mmboe (142) and risked prospective resources amounted to 157 mmboe (406). This was a decrease from previous year due to the relinquishment of Block 8 in Greenland and the farm-outs of 60% of the MPS licence in Congo (Brazzaville), 40% of the 12/06 licence in Denmark, 56% of the B20008-73 licence in Germany and 70% of the company's Tunisian off-shore assets. Pre-farm-out numbers at year-end were 148 mmboe in contingent resources and 324 mmboe in prospective resources.

Development of reserves in 2013

	Working interest Total		Net entitlement Total	
(Milion barrels of oil equivalent)	1P	2P	1P	2P
Reserves as per 2012-12-31	**38.1**	**55.7**	**25.1**	**36.9**
Production	-1.9	-1.9	-1.3	-1.3
Revisions	0.0	-0.1	-0.4	-0.3
Reserves as per 2013-12-31 pre farm-out	**36.2**	**53.7**	**23.4**	**35.3**
Adjustment for farm-out	-22.1	-32.1	-14.3	-21.3
Reserves as per 2013-12-31 post farm-out	**14.1**	**21.6**	**9.1**	**14.0**

Classification and calculation of reserves and resources

Reserves

- **Proven (1P) reserves:** Extraction assessed as having a probability in excess of 90% in the current economic climate.
- **Proven and Probable (2P) reserves:** With a probability in excess of 50% of extraction in the current economic climate.

PA Resources' reserves are classified according to the Petroleum Resources Management System (SPE-PRMS 2007).

All reserves were calculated using the published McDaniel and Associates Brent oil price forecast with an average price of USD 102 per barrel for the period 2014-2022. Brent price is adjusted to reflect appropriate differentials between the Brent marker and the relevant field's crude oil sales.

Resources

- **Contingent resources:** Estimated recoverable volumes from known discoveries that have been confirmed through drilling but which do not yet fulfil the requirements for reserves.
- **Risked prospective resources:** Prospective accumulations of hydrocarbons which have yet to be proven through drilling. Includes resources classified under Leads. Consideration is taken in respect of the likelihood of making discoveries.

Reserves and resources (Million barrels of oil equivalent)

14.1	21.6	59.8	157
1P reserves	2P reserves	Contingent resources	Prospective resources

Market overview

During 2013 macroeconomic indicators started to improve, while the world's central banks kept interest rates at low levels and maintained stimulus packages. The ongoing trends for demand growth in non-OECD countries and for supply growth from the United States continued. In spite of geopolitical tensions, particularly in the Middle East, these contributed to a fall in the average price of Brent oil from 2012's record high to USD 108 per barrel in 2013. Despite improved conditions, the trend in the global economy over the next few years is difficult to assess.

Trend in 2013

The prospects for the global economy brightened when macroeconomic indicators improved, while the world's central banks kept interest rates low and maintained stimulus packages. In terms of the oil market, the centre of gravity for oil demand is shifting from OECD countries to non-OECD countries. Meanwhile, the supply of oil is being changed by rapid production-growth in non-OPEC countries, particularly by increased extraction in North America. At the same time, the market has been disturbed by geopolitical tensions, particularly in North Africa and the Middle East, and these tensions increase risk levels for the global supply of oil.

During 2013, Brent oil traded at an average of USD 108 per barrel, which was USD 4 per barrel less than the preceding year. A peak of about USD 119 per barrel was reached in February, and a low of about USD 97 per barrel was recorded in April.

According to the International Energy Agency (IEA), global demand was 91.0 million barrels per day (89.7) in 2013, up 1.4% year-on-year.

Oil fundamentals in change

The IEA estimates demand in 2014 to be about 92.1 million barrels per day. Demand in OECD countries is decreasing due to a mix of lower consumption, slow population growth, and increased energy efficiency, while growth in demand in non-OECD countries is resulting in increased overall levels of demand. The shift in demand from OECD countries to emerging economies in Asia, the Middle East and Latin America is a trend that is continuing and that is expected to increase global demand for energy by one-third by 2035. The IEA predicts that China will surpass the United States as the world's largest oil consumer by 2030, while oil consumption in the Middle East is expected to surpass that of the European Union at about the same time.

According to IEA estimates, production from non-OPEC countries will increase from 54.7 million barrels per day in 2013 to 56.5 million barrels per day during 2014, with the United States and its shale oil expected to account for more than half of the production increase. Some OPEC countries, like Nigeria and Libya, continue to have oil production issues. Tensions in the Middle East, such as the war in Syria and the negotiations with Iran, are increasing the risk of disturbances in the global supply of oil.

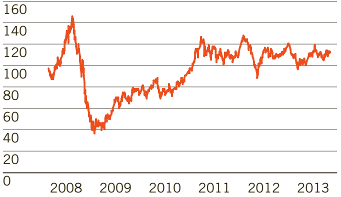
The global oil market is expected to undergo extensive regional changes, with production and consumption patterns changing, and this is expected to have a major impact on the geographically distribution of the global trade in oil and processing of oil. Countries in the Middle East, which historically have been large oil exporters, are forecast to have growing domestic demand. Meanwhile the IEA expects the United States, currently the world's largest importer of oil, to be largely self-sufficient by 2035. As demand in China, India and the Middle East increases, the global oil trade flows will centre more and more on Asian markets.

The future oil price trend is assessed as being volatile. The IEA says that an oil price that rises steadily to USD 128 per barrel in 2035 will support the development of the oil reserves seen in new types of resources, such as shale oil and deepwater fields, and improve recovery rates from existing fields.

The oil price is susceptible to the following factors:

1. **The global economy**
The outlook for global growth, as well as monetary policy stimulus packages from a range of central banks
2. **The political situation**
Geopolitical turbulence, for example in the Middle East and parts of Africa
3. **Access to oil**
A natural decline from existing fields that successively reduce capacity for additional production
4. **Weather conditions**
Unforeseen natural disasters, such as the tsunami in Japan in 2011 or hurricane Sandy in North America in 2012
5. **OPEC decisions and regulations**
Despite increased production from non-OPEC countries, the production from OPEC remains important for the oil market balance, particularly in the long term
6. **The price of alternative energy sources**
Increased competition from alternative forms of energy and fuel.

Brent price development 2008 – 2013 (USD per barrel)



Source: BP och Platts.

Strategic direction

PA Resources is undergoing a period of change under the leadership of a new board and management. The strengthening of the balance sheet and refinancing during 2013 together with execution of planned farm-outs created the preconditions necessary for taking our assets towards production and securing cash flow and continued investments. Focus for the years to come will be on increasing the pace of exploration, appraisal and development to convert discoveries into production and cash flow using a cost-effective approach, as well as on reviewing growth opportunities and securing financing of long-term development plans.

Start building the platform

- Strengthened balance sheet and refinancing
- New Board and Group management
- Farm-outs according to plan

Developed platform for future growth

- Project execution
  - Based on 2013 achievements
- Closing of farm-out transactions
  - Cooperation for the future: strong partners with highly relevant expertise
  - Reduced level of risk and investments
- Continued business focus on North Sea, North Africa and West Africa
- Increased pace of exploration, appraisal and development
  - Exploration of licences with high potential and with nearby infrastructure, enabling cost-effective development
- Start reviewing value-enhancing M&A opportunities to create economies of scale and a wider asset portfolio

Development of growth plans

- Acquire new reserves and resources with opportunities to enhance value
- Secure financing of long-term development plans

Key activities 2014

Exploration

Closing of MPS farm-out to SOCO

MPS
- Confirm drilling target
- Secure rig for exploration well

Bid rounds
- Denmark
- UK

Appraisal/Development

Closing of 12/06 farm-out to Dana

Block I
- Submit Diega POD
- Commence development

Zarat field
- Complete unitization agreement
- Submit Zarat POD

Elyssa field
- Plan appraisal well
- Develop and submit drilling plan
- Secure rig for appraisal well

Lille John
- Develop and submit drilling plan
- Drill appraisal well

Broder Tuck
- Pre-development evaluation

Birgitta
- Investigate export options
- Initiate development planning if justified

Production

Closing of Tunisian farm-out to EnQuest

Didon
- Install ESP

Tunisian Onshore
- Review DST fields
- Identify enhancement opportunities

Financing and investments

PA Resources' financial position strengthened considerably in 2013 as a result of the two rights issues that were carried out during the year. The company's debt decreased at the same time that liquid assets were raised which secured the company's short-term funding needs.

Development during the year

The business plan that formed the basis for the new issue that was announced in 2012 was based on assumptions about farm-outs of assets and refinancing of loans in 2013. These were carried out, however, the prospects for the Azurite field worsened further, and cash flow from production was considerably lower than expected. This resulted in an additional need for capital, and during the year – in addition to the rights issue that was decided on in 2012 and carried out in January 2013 – an additional rights issue was carried out in August along with a bond issue in September.

The financing activities are expected to enable scheduled principal payments, continued development of prioritised assets and enhance the company's scope to conduct asset transactions.

During the year, PA Resources paid down a net total of SEK 419 million (568) in interest-bearing liabilities. The Group's total interest-bearing liabilities amounted to SEK 2,194 million (2,688) as per 31 December 2013. PA Resources' reserved based lending facility amounted to SEK 550 million (727) at year-end, of which SEK 550 million (414) was recognised as short-term interest-bearing loans and borrowings. For more information, see Note 23.

PA Resources is in well advanced negotiations about a new USD 50 million working capital credit facility.

Investments

Total capital expenditures for 2013 amounted to SEK 271 million (255). Of these, SEK 197 million (221) pertained to the West Africa region and Block I investments for Diega and Carla. Capital expenditures for the full year 2014 are expected to be approximately SEK 300 million.

Issues and bond loans in 2013

Rights issues

A fully subscribed rights issue was completed in the beginning of February 2013, which gave PA Resources SEK 604 million after transaction related costs.

In September 2013, another fully subscribed rights issue was completed, which gave the company SEK 810 million after transaction related costs.

Bond loans

During the year, PA Resources issued bonds with a value of SEK 750 million within the framework of an unsecured bond loan of SEK 1,000 million with maturity in March 2016. The net proceeds from the issue were used to repay a bond loan with a nominal value of SEK 850 million, which matured in October 2013.

Drilling programme 2014/2015

Country/licence	Field/ Prospect	Time	Well/Number
Tunisia: Zarat	Elyssa*	2014/2015	Appraisal/1
Tunisia: DST		2014	Development/1
Equatorial Guinea: Block I	Diega	2014	Appraisal/Development/1-2
Denmark: 12/06	Lille John	2014	Appraisal/1
Congo: MPS	RR**	2014/2015	Exploration/1

* The well is subject to closing of the farm-out of the Zarat licence.
** Subject to government approval of the farm-out to SOCO.

The drilling programme is revised continuously based on the capital expenditure budget and prioritised commitments.

Exploration

The exploration activities of PA Resources lay the foundation for organic resource-base growth. Exploration activities are based on sound technical expertise and experience, within a framework of specific focus areas. In 2013, the evaluation work primarily focused on the analysis and evaluation of data on licences in Denmark, Congo and Germany.

West Africa

EQUATORIAL GUINEA

Further evaluation of the remaining prospectivity of Block I was conducted during the course of the year, and costs sought from seismic contractors for a new 3D survey in the licence. A decision on this survey is due in early 2014 to allow data acquisition during 2014. An exploration well I-7 and side-track I-7 ST1 were drilled on the Carla South prospect, encountering more than 10 meter pay in each well. Initial evaluation suggests that the discovery is non-commercial but the planned new 3D data will allow a re-evaluation in due course.

In Block H during 2013, licence technical manager White Rose Energy Ventures Limited announced that it no longer intended to drill the exploration well that it had proposed to drill when it entered the licence via a farm-in to the interests of two of the licence partners. Following partnership and government discussions, it was concluded that the licence could not be further extended and, as a consequence, the licence expired on 2 Feubruary 2014, giving rise to a write-off of SEK 8 million.

REPUBLIC OF CONGO (BRAZZAVILLE)

In the second quarter 2013, Murphy, as the operator of the MPS Production Sharing Contract, elected to withdraw from the exploration portion of the licence, retaining its interest in the Azurite Exploitation Permit. After discussions with the Ministry of Hydrocarbons and with licence partner SNPC, PA Resources made arrangements to be assigned the Murphy West Africa interest, bringing PA Resources' interest to 85%.

PA Resources also extended the validity of the exploration licence in order to fully evaluate newly reprocessed 3D seismic data. Following that evaluation, PA Resources sought a new partner and operator in the licence.

In the fourth quarter 2013, PA Resources announced a farm-in by SOCO, under which terms PA Resources will divest a 60% interest to SOCO in return for SOCO assuming certain of PA Resources' costs. A mandatory 50% relinquishment of the licence area has been made and the licence renewed into its third and final period. Subject to the necessary government approvals, SOCO will drill an exploration well in the licence in this final exploration period.

Exploration areas

UNITED KINGDOM			
1	Block 22/19a		O
DENMARK			
2	Block 9/06 (Gita)		P
3	Block 12/06	★	O
NETHERLANDS			
4	Block Q7	★	P
5	Block Q10a		P
6	Schagen		P
GERMANY			
7	B20008-73		O
TUNISIA			
8	Jelma		O
9	Makthar		O
10	Zarat	★	O
11	Jenein Centre		P
REPUBLIC OF CONGO (BRAZZAVILLE)			
12	Mer Profonde Sud	★	P
EQUATORIAL GUINEA			
13	Block I	★	P
14	Block H		P

O= PA Resources operator
P= PA Resources partner
★= One or several discoveries made

North Africa

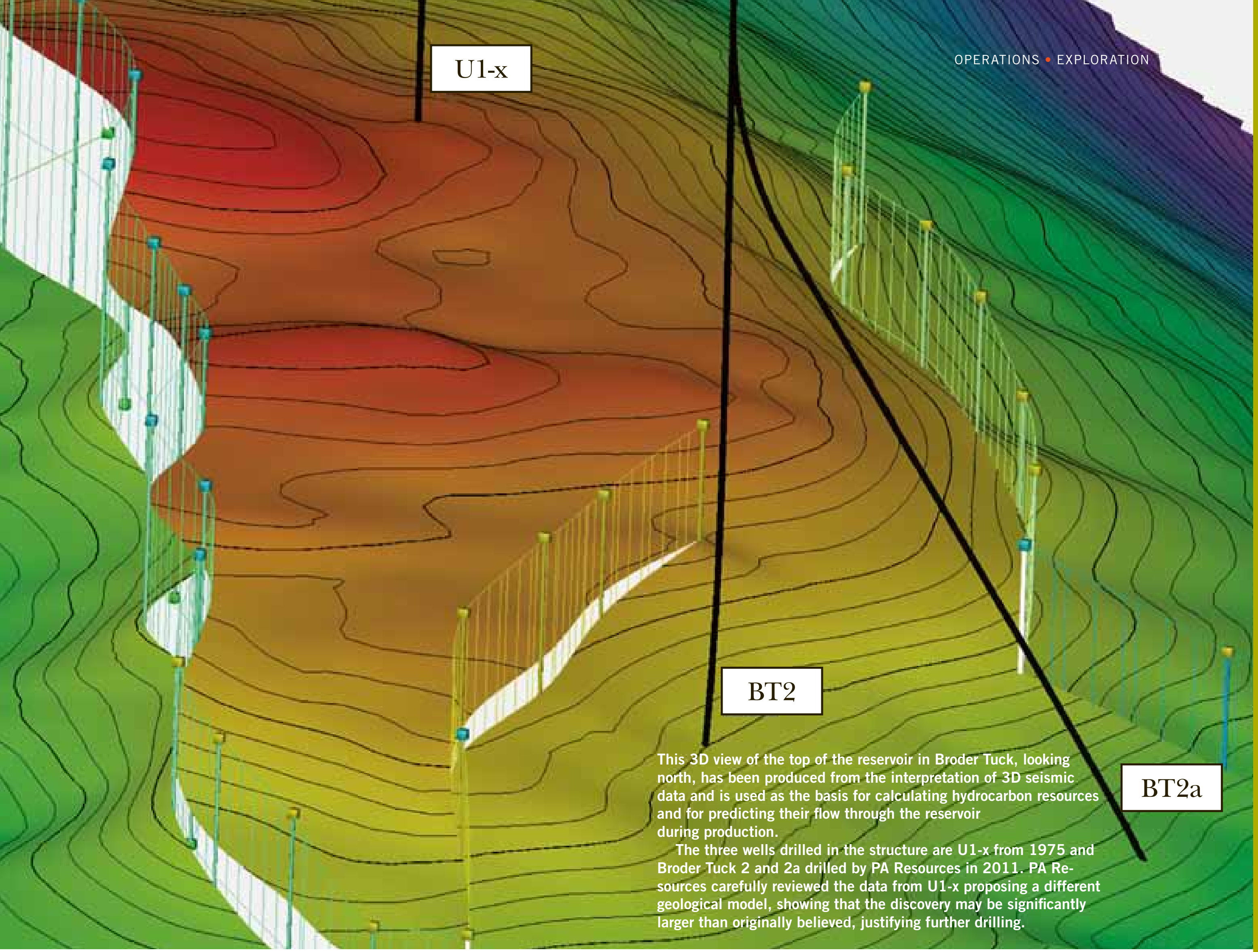
TUNISIA: Offshore

On the Zarat Permit, work focused on completing interpretation of the 3D seismic dataset. A detailed analysis and modelling of the prospects and fields identified target locations for the two commitment wells which are required to be drilled during the current licence period ending July 2015.

Onshore

The onshore Jelma and Makthar permits are located in central Tunisia and surround the Douleb, Semmama and Tamesmida (DST) onshore fields. These permits cover large areas (5,772 km² and 4,052 km² respectively in rugged terrain) and consequently are under-explored. Jelma licence is valid to late 2016 and Makthar licence is valid to mid-2014 and with one commitment well to be drilled for each licence area. The two permits contain potential trapping structures in the proven Aptian petroleum system, similar to the producing DST fields, in addition to prospects within deeper potential plays.

Regional structural, geological, geochemical and basin modelling studies were undertaken in 2012 to better evaluate the potential of these licences and to define the further exploration work. As a result of these studies it was decided to acquire additional 2D seismic data over the defined areas of interest to mature the most promising prospects for drilling. Unfortunately, following the political changes in Tunisia, there is considerable social unrest in these two licence areas, which makes access difficult.



This 3D view of the top of the reservoir in Broder Tuck, looking north, has been produced from the interpretation of 3D seismic data and is used as the basis for calculating hydrocarbon resources and for predicting their flow through the reservoir during production.

The three wells drilled in the structure are U1-x from 1975 and Broder Tuck 2 and 2a drilled by PA Resources in 2011. PA Resources carefully reviewed the data from U1-x proposing a different geological model, showing that the discovery may be significantly larger than originally believed, justifying further drilling.

North Sea

DENMARK

The 2011 Danish drilling campaign by PA Resources resulted in two discoveries, both at levels previously overlooked. The Jurassic sandstone encountered in Broder Tuck 2 was an excellent reservoir with a good gas and condensate column. However, finding light oil at an almost unprecedentedly shallow depth in the Miocene Lille John structure was the most significant discovery.

During 2013, PA Resources reprocessed 3D seismic data over Broder Tuck and Lille John. Pre-drill site surveys were acquired over Lille John and an adjacent exploration prospect. Advantage was also taken of the site surveys to acquire several high resolution seismic lines over Lille John. In addition during 2013, evaluation of the exploration potential of shallow horizons – comparable to that found oil-bearing at Lille John – identified a number of 'leads' for further evaluation. Further ongoing 3D seismic reprocessing will assist in determining the extent of identified exploration prospectivity at deeper levels underneath Lille John.

GERMANY

In late 2012, 3D coverage over much of German licence B20008/73 was purchased and these data were interpreted during 2013. The results of this evaluation are broadly encouraging in respect of the prospectivity of the licence, however, the data need reprocessing prior to the locating of an exploration well. This reprocessing commenced in the latter part of 2013 and will complete in the third quarter of 2014

Access to well data in Germany is severely hampered by the absence of a data-release regime, such as exists in all other North Sea countries. Some progress was made during 2013 in gaining access to some of the key wells needed to complete the prospectivity evaluation and to plan safe drilling activities.

Focus for 2014

- Congo MPS: secure government approval on farm-out and locate rig to drill in 2014/15
- Denmark 12/06: complete 3D reprocessing and determine next prospect to drill
- Germany B20008/73: complete 3D reprocessing and determine best prospect to drill
- Block I: undertake new 3D survey

Appraisal and development

Following successful exploration and/or appraisal drilling, an evaluation process commences which typically follows a ‘gateway’ structure. During this process, the project matures and passes through a series of key stages of increasing definition and commitment until project sanction, at which point the major phase of capital expenditure commences.

APPRAISE	SELECT	DEFINE	FULL PROJECT SANCTION	EXECUTE	HANDOVER	OPERATE
To assess the value of a potential new development in sufficient detail to allow a business case to be made to proceed with further investment.	To progress the project to a single concept that has sufficient value to justify proceeding to the next stage.	To fully describe, engineer and cost the development to allow asset partners and other stakeholders to sanction the project.		To execute the project achieving all objectives such as cost, schedule, HSEQ and production targets.		To manage field production to safely maximise the value realised.

PA Resources utilises this gateway structure in its project evaluations, and reference is made in the project descriptions to each projects’ status along this process. The ‘Appraise’ stage comes first, and may involve studies or further appraisal drilling. It is sometimes necessary to step back into the Appraise stage if the Select stage does not define a robust development concept.

West Africa

EQUATORIAL GUINEA: Diega Field

During 2013 a successful pilot well and horizontal sidetrack were drilled on the Diega field, which extends from Block I northwards into Block O, in which PA Resources does not hold an interest. The pilot well, I-8, encountered 12 metres of good quality oil pay and established the deepest oil yet encountered on the Diega accumulation.

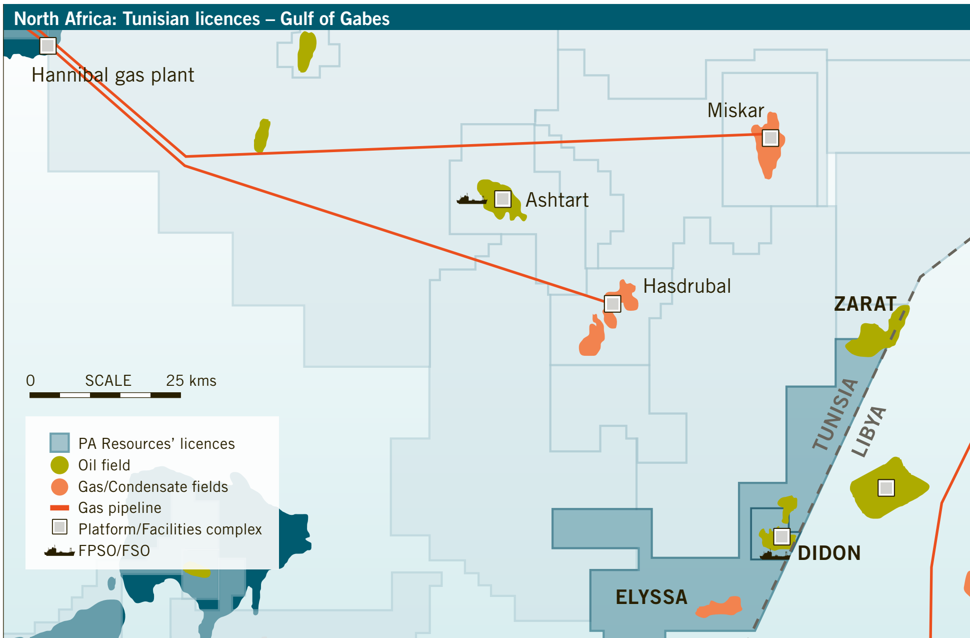
The I-8ST horizontal well drilled some 400 metres of reservoir of similar quality and was flowed at constrained rates of up to 7,300 bopd over the course of a month to gain valuable reservoir information. Produced oil was transferred into a standby tanker for later sale rather than being flared during the long term drill stem test, and the well was finally suspended as a future production well.

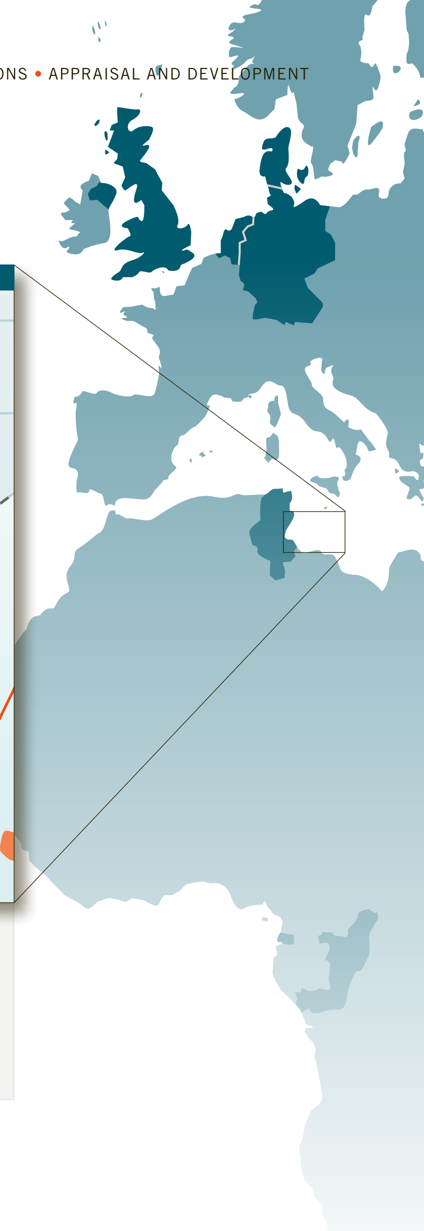
The results of this test were highly encouraging in respect of reservoir continuity, productivity and lack of compartmentalisation, and as a result the field is being fast-tracked through the Select/Define stages with a view to project sanction during 2014. The development concept is a subsea tieback to the Aseng FPSO and there is sufficient flexibility in this concept to allow the development to be upscaled if future appraisal drilling in Block I further increases the size and extent of the accumulation. Such appraisal drilling is currently expected to take place in 2014.

Installation of the Alen platform offshore Equatorial Guniea where production commenced in mid 2013.

Alen Field

PA Resources has a small unitised interest in the Alen Field, which lies predominantly within Block O, in which PA does not have an interest. During 2013, the Alen Field development was brought to fruition on budget, with two platforms installed in the first part of the year, and production start-up and ramp-up on schedule during the second half of the year.





- Options evaluated for the development of the Zarat field include both stand-alone facilities and a tieback to Miskar field.
- There is an existing gas pipeline system linked to the onshore Hannibal gas processing plant, which offers a route to evacuate gas.
- Evaluation work continues to define the optimum development plan for the Zarat field in order to allow the submission of a revised plan of development.

North Africa

OFFSHORE TUNISIA: Zarat license

The Zarat and Elyssa fields are both within the Zarat licence which also includes the producing field at Didon.

Tunisian demand for gas is increasingly outstripping domestic supply and accordingly, requires new development projects for gas. In 2012 PA Resources initiated a formal process to reduce its working interest in the Zarat licence and in May 2013 announced that it had entered into a transaction with EnQuest to divest 70% of the Zarat permit and Didon Field to EnQuest, subject to the necessary approvals.

Zarat field

Despite the submission of development plans, since its discovery in the mid-1990's the development of the Zarat Field has been delayed pending appraisal of the northern extent of the field which lies within a block jointly administered by Tunisia and Libya. At the end of 2010 an appraisal well in the northern licence confirmed the northern extent of the reservoir. Since then, discussions have been ongoing to establish the allocation of the field's reservoirs between both licences through a unitisation process. Work has also focused on development planning.

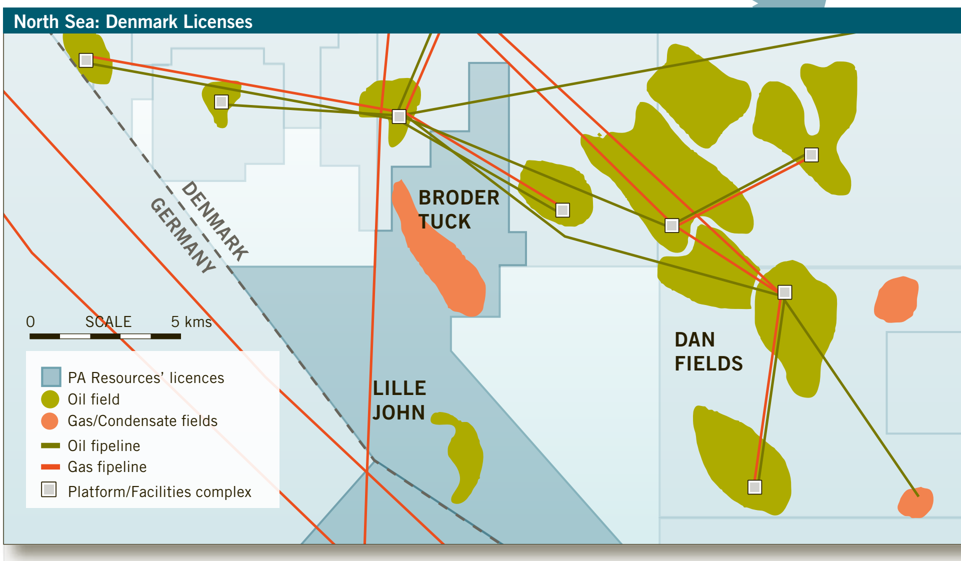
In December 2012, a preliminary agreement was reached regarding the principles for unitisation of the Zarat field with Sonde Resources, operator of the licence north of the Zarat permit, and work is nearing completion for the issue of a Unitisation and Unit Operating Agreement to the Tunisian Authorities for approval in 2014. A Unit Plan of Development is also being prepared for submission to the Tunisian regulatory authority before mid-year 2014.

During 2013, a 3D common static model was agreed upon between PA Resources and the Tunisian State Oil Company, ETAP and the subsequent dynamic modelling will contribute to the Unit Plan of Development. Evaluation of the preferred development concept is ongoing in this Select Stage of the project, a key question being whether gas will initially be re-injected or whether sales of oil, gas and condensate will all commence at field startup.

In parallel the Tunisian State is promoting both facilities sharing and a search for a collaborative approach to sour gas treatment and CO2 sequestration. PA Resources is an active participant in this initiative.

Elyssa field

The field was discovered in the mid 1970s and a total of four wells have been drilled, including a sidetrack. The most recent well was drilled in 2007. Elyssa is potentially a commercially attractive field but is less mature than Zarat and requires the drilling of an appraisal well to better constrain the recoverable resource estimates. Such a well is expected in late 2014/early 2015 and work to define the drilling location is nearing completion.



- Broder Tuck is located close to various existing fields with platforms to which it could be tied back
- Discussions have focussed on a tie back to Dan Field (20km) with export to shore via the Gorm to Nybro oil and Tyra to Nybro gas pipelines
- Alternative possibilities exist via offshore Netherlands facilities with gas to Den Helder via the NOGAT pipeline
- A Lille John development has similar hydrocarbon evacuation options

North Sea

DENMARK: Broder Tuck

Considerable 'select stage' work was undertaken during 2013 to assess the likely technical and economic conditions applicable to developing the Broder Tuck field without further appraisal drilling. From a subsurface perspective, reservoir models were built and sensitivities constructed to assess recoverable resources, deliverability and production profiles. An intensive 3D seismic reprocessing project concluded at year-end, allowing these models to be re-assessed in the first part of 2014 with the benefit of improved subsurface imaging.

In parallel, discussions commenced with candidate host fields to which Broder Tuck could be tied back. Engineering studies assessed each option in considerable detail from the perspective of the cost and scope of facilities required. Commercial discussions focused on the conditions that could apply to services offered by these host facilities. These workflows are targeted at reaching from the end of the Select stage in mid 2014, at which point the project can either progress towards development or a further appraisal well may be required.

Lille John

At Lille John, high resolution reprocessing of the 3D data has assisted in determining an appraisal well location or locations on the Miocene oil discovery. The discovery needs drilling of one or more appraisal wells before it can be progressed towards development. In order to drill at least one Lille John appraisal well, PA Resources continued a rig search process during 2013 that originally commenced in the first half of 2012 to contract a drilling rig that meets the Danish regulatory requirements, which are more onerous than those in the UK and Netherlands. At year-end 2013, two candidate rigs were under consideration.

UK: Birgitta Field

At the start of 2013, PA Resources was jointly awarded the rights to UK Block 22/19a containing the 22/19-1 gas condensate discovery, and assumed 100% on withdrawal of the original co-venturer early in the year. An initial evaluation of this discovery was conducted in the first half 2013, which allowed initial exploratory discussions to commence with nearby facilities that could conceivably act as host for a tieback of the discovery which PA Resources has provisionally named Birgitta. The field has been stranded since it was first discovered in 1984 and it is one of several potentially economic fields in this part of the Central North Sea that have been stranded for absence of a viable offtake route. In the second half of 2013, more detailed work was commenced when it became apparent that offtake routes may be starting to materialise in the area. It is hoped to take the field to the Select/Define gateway in mid 2014; this is dependent on satisfactory progress with ongoing studies and host discussions.

Focus for 2014

- Denmark 12/06: drill Lille John 2 appraisal well
- Tunisia Zarat permit: drill Elyssa appraisal well
- Block I Diega: plan a further appraisal well in parallel with securing sanction on an initial development

Production

When a field is taken into production, the investment in the asset starts to be repaid through cash flow generated by the field. Maintaining safe and efficient operations with a high operating 'uptime' whilst minimising emissions are important aspects of the operation. In time, additional investment opportunities are identified; these may be in the process facilities, new drilling, workover of existing wells to improve production or artificial lift mechanisms to raise the production rate.

PA Resources' average production during the year was 4,600 (7,900) barrels per day. A total of 1,558,100 (2,377,150) barrels of oil were sold, excluding royalties, at an average price of USD 108 per barrel (111). Seven fields produced oil in 2013, including the Azurite field in the Republic of Congo (Brazzaville), which ceased production in the fourth quarter.

West Africa

EQUATORIAL GUINEA

Continued solid production from the Aseng field and new production from the Alen Field

The Aseng field is located in the Gulf of Guinea, offshore Equatorial Guinea, at an approximate water depth of 1,000 metres. The field has been on stream since November 2011 and by year-end 2013 had produced some 43 million barrels. Production rates at year-end were around 44,000 barrels of oil per day. Gas is re-injected back into the reservoir, and the level of produced gas is at or around the capacity of the field to handle and re-inject the gas, such that field oil rates will slowly decline in parallel with the slow increase in produced gas quantities.

The Aseng FPSO has performed very well, with very high operating efficiencies achieved. During 2013, the vessel also commenced receiving, storing and offloading condensate production from the Alen Field, which shares costs with Aseng in compensation for the Aseng storage and offloading service. Condensate is held separately from the Aseng oil, which trades at a premium to the Brent marker.

The efficient utilisation of Aseng is forecasted to continue with the development of the Diega Field, which will be a subsea tieback to Aseng. Cost sharing with Diega will further reduce Aseng's operating costs.

The Alen Field commenced production in 2013. PA Resources holds an 0.285% interest in this field, which is unitised 5%:95% between Block I and Block O. The Alen facilities are designed to produce 400-500 mcfg/d, from which condensate is stripped out and then the majority of the gas is re-injected into the reservoir for gas sales in the future. At year-end, condensate production rates of around 28,000 barrels per day were being achieved.

REPUBLIC OF CONGO (BRAZZAVILLE)

Azurite Field abandonment

During 2013, the Azurite Field reached its economic limit; field production ceased on 1 November. Abandonment of the field wells commenced immediately and is now complete, and the vessel is preparing to leave Congo in the second quarter of 2014. Notice of termination of the vessel contract has been given to the vessel owner, and an agreement is in negotiation with the vessel owner regarding the termination arrangements and payments following the vessel's departure from Congo.

North Africa

TUNISIA

Production impacted by planned shutdown of Didon Field

The Didon field lies in the Gulf of Gabes, which is part of the Zarat licence and about 70 kilometres offshore Tunisia. The field is in a water depth of 70 metres and has produced about 32 million barrels of oil since production start in 1998. Production from the Didon field was affected by a planned shutdown from 1 July to 23 November 2013 for recertification and upgrade of the Didon FSO storage vessel and platform facilities. Deferred production volumes were partly compensated by higher field production since field re-start.

Production optimisation measures were implemented to compensate for the natural decline of the field and to extend field life. PA Resources completed a dynamic model to provide a new evaluation of the possibility of adding additional production wells. Furthermore the installation of electric submersible pumps (ESPs) in existing wells to allow increased rates of oil production has been evaluated and will commence in the second quarter of 2014.

Focus for 2014

- Install an electric submersible pump (ESP) at the Didon field in Tunisia
- Evaluation of the necessary modifications on the Aseng vessel to allow the future tie-in of the Diega field
- Undertake process improvements on the Alen platform to reduce gas flaring to minimal levels

Sustainability

PA Resources is currently revising its group management system framework to refresh the objectives and policies at group level which set the context for the management policies, procedures and practices applicable to each business unit's activities. Underpinning this overall system are recognised responsibilities and commitments within three key and inter-related areas; economic, environmental and social.

Policies and principles

PA Resources is committed to operate ethically, transparently and in accordance with the legislation of the countries in which it operates. These commitments are also required from the company's partners, contractors and consultants. We believe maintaining high standards will result in a range of sustainable benefits to all our stakeholders. Our efforts help to motivate employees, support community growth and development, minimise risk, reduce cost, and increase shareholder value.

Where PA Resources is the licence operator, the Group has direct responsibility for the operations and employees as well as health, safety and environmental issues and for community relations and social programmes. For licences in which the Group is a partner, the respective operators have the direct responsibility for this work and operations are monitored by PA Resources and the licence group's other partners.

PA Resources targets no accidents to personnel, no unwanted incidents involving our operational activities and no accidental emissions to land, sea or air. To this end PA Resources complies with all applicable laws, regulations and industry codes and endeavours to target performance standards across the Group consistent with those achieved in the most onerous regulatory regimes.

PA Resources is committed to ensuring it conducts its business responsibly, legally, professionally and with integrity. PA Resources does not accept any kind of bribery or facilitation payments. All employees and operations are expected to follow this ruling and comply with implemented policies and standards.

Oil spill response training offshore Tunisia.

Environmental responsibility

All hydrocarbon-related operations impact the environment and entail environmental risks. PA Resources recognises that its business activities may have adverse consequences and strives to minimise the environmental impact of all Group operations. Naturally the Group complies with, or exceeds, the requirements of the environmental legislation and regulations applicable in each country in which it operates. We aim to minimise and reduce our waste and air emissions to zero or absolutely minimum levels.

PA Resources UK operates an environmental management system which is certified in accordance with the ISO 14001:2004 standard. In addition, the system is certified to the international standard for occupational health and safety, 'BS OHSAS 18001'.

Each business unit undertakes environmental impact assessments during the planning stages of all major projects and operations with a view to identifying risks and potential hazards to allow the company to develop mitigating measures to avoid or minimize any adverse effects. Environmental performance is then monitored during the life of each project.

Where necessary the company also provides the resources, facilities, advice and expertise to ensure implementation of pollution prevention measures. All aspects of our pollution management and control schemes are monitored and audited for compliance. Our contingency plans for emergency situations are developed as appropriate to the operational circumstances.

Emissions monitoring and reporting

PA Resources implemented a system for measurement of the Group's environmental performance in 2009 and has reported outcomes since 2010. Key environmental ratios and performance indicators are set out in the table below.

Impact	Description of environmental impact	Prioritized measures	2010 to 2013 Environmental ratios*	2013	2012	2011	2010
ATMOSPHERIC EMISSIONS Flared gas and Greenhouse gas emissions	Atmospheric emissions primarily comprise of carbon dioxide emissions through the combustion of gas at our production facilities and fuel for transportation.	To continue to monitor and measure our emissions, which will enable us to set goals for reducing the flaring of natural gas and decreasing our emissions of carbon dioxide.	Flaring natural gas – daily average (Million cubic feet):	1.78	2.57	3.95	5.30
			Flaring natural gas – total (Million cubic feet):	650	934	1,440	1,940
			Carbon dioxide emissions – flaring gas (Tonnes):	46,730	81,485	110,530**	172,976**
			Carbon dioxide emissions – fuel consumption (Tonnes)**:	54,844	60,945	61,096**	36,881**
EMISSIONS TO LAND AND SEA Spills to the Environment	Unintentional discharges of oil and chemicals cause injuries to animals and people as well as pollute oceans, land and groundwater.	To work proactively to minimize the risk of accidental emissions, for example through risk assessments, careful planning, improving technology and working methods, education and training as well as monitoring. Minimizing the usage of chemicals is a priority.	Accidental emissions – chemicals (Number of releases):	0	6	0	0
			Accidental emissions – hydrocarbons (Number of releases):	3	0	3	8
			Accidental emissions – hydrocarbons (Litres):***	600	0	1,040	1,016
PRODUCED WATER Discharges to Water	A mixture of oil, gas and water is pumped up from a production well. The water is separated from the mixture but may contain traces of hydrocarbons and chemicals.	To purify the produced water to approved levels before its release into the sea or reinjection into reservoirs.	Emissions – produced water (barrels per day):	5,124	6,540	8,212	9,888
			Total emissions – produced water (barrels)	1,870,488	1,757,609	2,997,560	3,609,280
			Concentration of oil in water, average (Ppm/mg/l):	17	22	18	21
			Total emissions of oil in produced water (Litres):	6,064	10,351	11,340	12,110
ENERGY CONSUMPTION Energy use	The energy consumption of business activities, primarily of fossil fuels, contributes to increased carbon emissions and climate change.	To increase the efficiency of production facilities thus lowering energy consumption this then contributes to lowering costs and reduced carbon emissions.	Natural Gas Consumption – daily average (Million cubic feet):	0.87	1.4	1.4	1.16
			Natural Gas Consumption – total (Million cubic feet):	318	498	494	424
			Diesel Fuel Consumption – daily average (Tonnes):	28.8	22.7	23.1	N/A
			Diesel Fuel Consumption – total (Tonnes):	10,498	8,302	8,436	N/A
WASTE AND OTHER AIR EMISSIONS	The operations utilise natural resources and other material that generate waste such as oil containing mud, drilling mud, chemical residues, construction waste and household waste. Air emitted substances include: • volatile organic compounds (VOCs); • oxides of sulphur (SOx); • oxides of nitrogen (NOx), excluding N2O; particulate matter (PM); ozone-depleting substances (ODS); and other regulated air emissions.	To minimise the amount of waste through recycling and reuse. Fragments of stone that have broken loose from the bedrock can be separated from the thick drilling mud and released, if assessed as being sufficiently clean. To reduce air emissions from oil and natural gas operations this may contribute to local or regional impacts such as regional haze or acid rain.	Waste generated is highly dependent on how many and the type of projects being undertaken. PA Resources does not as yet gather and collect these data on a Group basis owing to inconsistencies in data gathering and reporting. In 2013, waste was appropriately disposed of in line with local regulatory and permitting requirements. Measurements of the quality and quality air emissions in Equatorial Guinea have generally been successful in 2013.				
DISTURBANCE TO WILDLIFE AND ENVIRONMENTAL IMPACT	Acoustic signals utilised in seismic surveys can temporarily disturb wildlife. On production fields, the noise from drilling rigs, vessels and other machines can disturb wildlife, which can affect their migration routes.	To utilise various methods to minimise or mitigate disturbances.	The company performed environmental risk and hazards assessments during 2013 relating to operations in the following countries: • Tunisia • Germany • Netherlands There were no instances of disturbance to wildlife reported during our operations in 2013.				

* States PA Resources' Working Interest of total volumes and amounts. Statistics depend on produced volumes of oil and the number of drilling projects and development projects conducted during the period.
* Includes liquid fuels from 2011 onwards.
** 2010 and 2011 restated.
*** The stated accidental emissions figures are gross volumes to PA Resources and its licence partners, all other figures in this table state PA Resources' Working Interest of total volumes and amounts.

In 2013, PA Resources Tunisian oil production was reduced by the upgrade and maintenance programme performed on the Didon FPSO vessel in dry dock in Malta and the consequent shut-in of the field from June to late November. However, due to the work programme, materials and fuel consumption increased significantly for the Tunisian operation.

In the Republic of Congo, production from the Azurite field ceased as planned in early November. The subsequent well abandonment was successfully completed without incident and field abandonment activities were ongoing at year end 2013.

In Equatorial Guinea there have been ongoing problems on the Alen facilities with the main gas compressor systems which have led to flaring above expectation. Our target is to reduce this to circa 2 mmcfg/d by mid-year 2014.

Operations on the Aseng FPSO facilities proceeded without reportable environmental incidents and with emissions and discharges in line with expectations.

In early December during the Block I offshore drilling programme in Equatorial Guinea there was an accidental discharge of 600 litres (3.77 Barrels) of oil to sea due to a ruptured export hose line whilst conducting well flow tests on Diega I-8 ST1. Overall the PA Resources' levels of emissions have decreased in past 12 months, in line with levels of oil and gas production. Significant increases in the level of emissions have been generated by the commission and working up of the Aseng-Alen offshore facilities in Equatorial Guinea.

Crew of Gardline vessel Sea Surveyor collecting samples for an environmental baseline study within licence 12/06 in Denmark.

Social responsibility

Health and safety

One of the most critical areas of management is ensuring the health and safety for our employees and contractors as well as minimizing the risk of accidents and incidents that might affect people, the environment, assets and finances. The Group continues to actively pursue training and accident prevention initiatives with the aim of safeguarding employees and subcontractors from work-related injuries, diseases and workplace accidents.

At the end of 2013, PA Resources employed 112 people as well as a number of consultants and sub-contractors.

During the past five years, no work-related fatalities have occurred at any production facility where PA Resources is the operator and furthermore no serious incidents, accidents or injuries have occurred over the same period.

A single lost time incident (LTI) was reported by PA Resources operations in Tunisia during 2013, this was relating to a concussion injury requiring medical attention, but no serious harm was suffered.

In the Republic of Congo the Azurite operations proceeded without major health and safety incidents. The majority of health and safety issues in the Congo relate to heat exhaustion and non-occupational related medical conditions such as malaria.

Offshore Equatorial Guinea the Alen facilities came online without incident during November and gas production commenced. On the Aseng FPSO there were no reportable environmental incidents and a single equipment related incident during 2013.

Also in Equatorial Guinea our partner Noble Energy launched its "No Harm" initiative in July and this continues to be the focal point for HSE management in the country, helping to foster a culture that protects personnel, the environment and the community. A medical evacuation from the Aseng FPSO occurred in January with a suspected malaria case requiring onshore referral and a lost time incident occurred during the construction of the Alen facilities in March.

Health and Safety*	Unit	Operator	2013	2012	2011	2010
Total number of work hours	Gross Hours	PA Resources*	271,893	200,692	437,853	335,200
		Others	4,044,225	3,516,890	3,557,280	3,306,970
Fatalities	Number	PA Resources*	0	0	0	0
		Others	0	0	0	0
Lost time incidents (LTI)	Number	PA Resources*	1	0	0	2
		Others	1	4	2	1
Total recordable injury Rate (TRIR) **	Number/ million work hours	PA Resources*	3.68	0	0	5.9
		Others	0.25	1.41	0.56	0.30

Total at all production facilities and licences where PA Resources owns shares.
* Employees and direct subcontractors of PA Resources
** Number of accidents per 1 million work hours. Accidents include fatalities, cases with limited or lost work hours and cases requiring medical treatment.

Contributing to society

PA Resources endeavours to make a positive socio-economic impact in the countries in which the Group has activities. Revenues from oil production are especially important contributors to the development of many African states but the Group also seeks to make a direct positive impact at community level.

PA Resources seeks a constructive social engagement where possible through community liaison and interaction, local recruitment programmes, the support and development of local business and the provision of additional medical capabilities, training and education schemes. The direct engagement is undertaken by the operator for the respective licence or by PA Resources where the company holds the operating responsibility.

TUNISIA

Due to continued political uncertainties, local security and logistics issues, PA Resources have had difficulties in implementing any form of social projects in the onshore operational areas.

EQUATORIAL GUINEA

PA Resources, with its joint venture operator and partners and in collaboration with the Ministry of Mines, Industry and Energy (MMIE) have undertaken a number of projects in Equatorial Guinea throughout 2013. These have primarily focused on provision or improvement to various community, educational and medical facilities and have ranged from assisting with the "Nursing Assistant Professionalization Programme", sponsoring water supply and well construction projects, to purchases of books and additional furniture at various schools supported in previous years.

In addition to these new projects the joint venture partners continue to enable and progress ongoing projects that were delayed for various reasons. The building of INEM Rey Malabo School Library is one such project where a number of educational provisions including funding of a library and computer lab have taken place. The Group has also assisted in the provision of additional new school rooms, library and bathroom facilities at the Nuestra Sra. De Africa School in Mongomo, and the building of a school house for 200 preschool infants in Riaba.

In total PA Resources and its partners have contributed to some USD 7.5 million of expenditure on social projects from 2009–2013. Furthermore, there are a series of ongoing initiatives to develop workforce skills and competences both at onshore and offshore facilities, including industry training programmes at the National Institute of Hydrocarbon Technology and a second scheme to developing comptence-based work and assessment skills in industrial situations, which is undertaken at the Aberdeen Skills & Enterprise Training Academy in the UK. "In country" training programs have been conducted on the offshore facilities. These have led to 19 new graduates working on the offshore facilities and 10 new students commencing training in 2013.

PA Resources with its partner Noble Energy are contributing to several educational projects in Equatorial Guinea.

REPUBLIC OF CONGO (BRAZZAVILLE)

During 2013 PA Resources and the partner Murphy West Africa, have jointly funded several educational projects. These include the expansion of a secondary school in the village of Tchitanzi Nzassi in Pointe Noire Prefecture, as well as funds for the design and construction of a Boarding School for young deaf children in Brazzaville at an estimated overall cost of USD 1 million. Work on this project commenced in December 2013.

PA Resources' share

PA Resources' share is listed on the NASDAQ OMX Nordic Exchange in Stockholm. The share had lower liqudity than in preceeding years, but share turnover rate still amounted to 115 percent during 2013.

Share price trend and liquidity in 2013

The ticker symbol of the share is PAR and, in 2013, 3,662 million (1,937) shares were traded with a value of SEK 887 million (1,862) on the NASDAQ OMX Stockholm Small Cap segment. Share turnover – or liquidity in the PA Resources share – was lower than in preceding years. Share turnover rate amounted to 115 percent (250), compared with 90 percent for Small Cap in Stockholm. On average, share turnover amounted to 14.6 million shares per day (7.7) with a value of SEK 3.5 million (7.4).

Over the year, PA Resources' share price declined by 84 percent (91) and the closing bid price for the share at the end of 2013 was SEK 8.95 (55.10) corresponding to a market capitalisation of SEK 1,013 million. The highest price paid for the share was SEK 95.00 on 7 January and the lowest was SEK 7.95 on 18 December. The average share price was SEK 23.01.

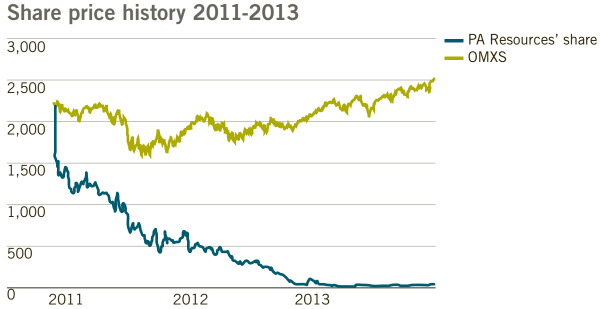
PA Resources' share is listed on the NASDAQ OMX Nordic Exchange in Stockholm.

Share capital and new issues

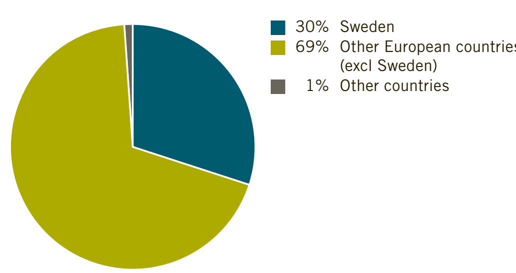
In the first phase of strengthening the company's financial position, a set-off issue of convertible bonds was performed in December 2012 to convertible bondholders in the company and was followed by a fully underwritten rights issue that was completed in early 2013. A new Articles of Association was adopted by the extraordinary general meeting on 7 December 2012 to adjust the limits applicable to the company's share capital and number of shares. The meeting also resolved to reduce the quota value from SEK 0.50 to SEK 0.10 per share. A temporary B share was introduced during the issue processes to facilitate the administrative process for the new issues. As per year-end after performance of the first step, i.e. the set-off issue, numbers of shares amounted to 7,093,247,924, of which 637,477,652 were A shares and the share capital was SEK 709,324,792.40. The subsequent fully underwritten rights issue increased PA Resources' share capital by SEK 705,275,104.80 to SEK 1,414,599,897.20. The number of shares increased by 7,052,751,048 shares to 14,145,998,972 shares. The B shares automatically converted to A shares in conjunction with the completion of the rights issue in early February 2013 and were eligible for trading from 7 February, thereby leaving the company with just one class of share in issue with equal voting rights and equal claims on the company's capital and earnings. In May PA Resources recorded a reversed share split, following that numbers of shares reduced to 28,291,998 with a quota value of SEK 50.00.

In order to additionally strengthening the company´s financial position the extraordinary general meeting on 5 July 2013 took the decision to reduce the share capital and to conduct another new share rights issue. After completed and fully subscribed rights issue the share capital amounted to 1,414,599,900 SEK divided into 113,167,992 shares. Quota value amounts to 12.50 SEK with one vote each.

Share price history 2011-2013



Holding per region



Ownership structure

At 31 December 2013, the total number of shareholders was 19,369 (22,996).

The proportion of foreign ownership amounted to 70% in terms of number of shares, while 4% in terms of number of shareholders. 80% of shareholders held less than 500 shares.

PA Resources' largest owner is Gunvor Group.

PA Resources' convertible bond

PA Resources' convertible bond (PAR KV1) was traded on the NASDAQ OMX Stockholm up until final repayment at 15 January 2014. As per 31 December 2013, the number of convertible bonds was 5,857,151 at a nominal amount of SEK 16 per convertible bond, i.e. a total of approximately SEK 93.7 million.

Dividend policy

The primary objective is to add value for the company's shareholders through continued investment in business activities that create profitable and long-term production growth.

As in previous years, the Board of Directors recommends that no dividend be paid for 2013 financial year.

Distribution of holdings by size per 31 December 2013

	Number of shareholders	Number of shares	Holding
1 - 5,000	18,650	6,587,641	5.8%
5,001 - 10,000	350	2,590,092	2.3%
10,001 - 20,000	144	2,060,417	1.8%
20,001 - 50,000	132	4,294,466	3.8%
50,001 - 100,000	38	2,639,624	2.3%
100,001 - 500,000	38	8,414,439	7.5%
500,001 - 1,000,000	7	4,826,936	4.3%
1,000,001 - 5 000,000	6	14,275,719	12.6%
5,000,001 - 10,000,000	1	5,647,082	5.0%
10,000,001 -	3	61,831,576	54.6%
Totalt	**19,369**	**113 167 992**	**100.0%**

Ownership structure – 10 largest shareholders

The 10 largest shareholders per 31 Dec. 2013	Number of shares	Capital/ votes
Gunvor Group	40,680,843	35.9 %
Lorito Holdings Ltd	10,950,733	9.7 %
Credit Suisse Ag	10,200,000	9.0 %
Villefranche S A R L	5,647,082	5.0 %
Credit Agricole (Suisse) SA	4,341,696	3.8 %
Avanza Pension	3,260,332	2.9 %
Ågerup Fastigheter AB	2,355,628	2.1 %
Originat AB	1,975,000	1.7 %
Nordnet Pensionsförsäkring AB	1,310,486	1.2 %
Måsskäret Invest AB	1,032,577	0.9 %
Total – 10 largest shareholders	**81,754,377**	**72.2 %**
Total – other shareholders	31,413,615	27.8 %
Total number of shares	**113,167,992**	**100.0 %**

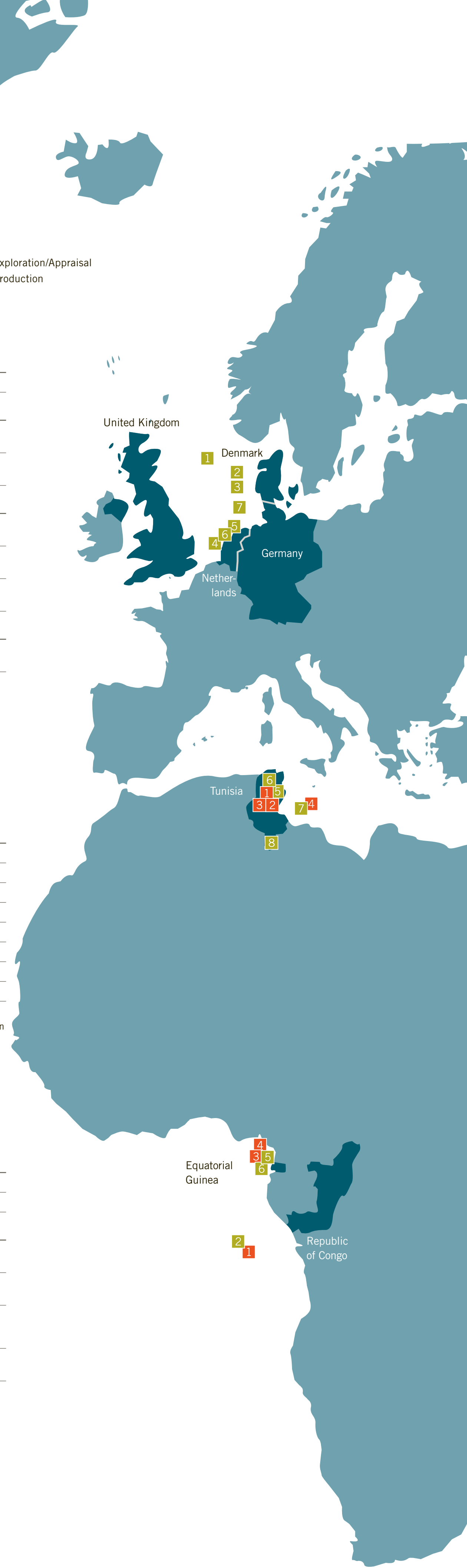
!

The share price trend from 1994 is available at www.paresources.se/en/Investor_Relations/The-share/

Share capital development

Year	Type of changes	Quota value, SEK/ share	Changes in shares outstanding	Total shares outstanding	Change in share capital, SEK	Total share capital, SEK
2009	Private placement	0.5	11,000,000	156,514,004	5,500,000	78,257,002
2009	Conversion, convertible bonds	0.5	11,239,978	167,753,982	5,619,989	83,876,991
2010	Rights issue	0.5	469,711,149	637,465,131	234,855,575	318,732,566
2010	Conversion, convertible bonds	0.5	10,712	637,475,843	5,356	318,737,922
2011	Conversion, convertible bonds	0.5	1,050	637,476,893	525	318,738,447
2012	Conversion, convertible bonds	0.5	759	637,477,652	380	318,738,826
2012	Decrease in share capital	0.1			-254,991,061	63,747,765
2012	Conversion, convertible bonds	0.1	6,455,770,272	7,093,247,924	645,577,027	709,324,792
2013	Right issue	0.1	7,052,751,048	14,145,998,972	705,275,105	1,414,599,897
2013	New issue	0.1	28	14,145,999,000	3	1,414,599,900
2013	Reverse split	50	14,117,707,002	28,291,998		
2013	Reduction share capital	10.5			-1,117,533,921	297,065,979
2013	Rights issue	10.5	84,875,994	113,167,992	891,197,937	1,188,263,916
2013	Bonus issue	12.5			226,225,984	1,414,599,900

Licence overview



North Sea Region

Country/licence	Operator	Partners
UK		
1 Block 22/19a	PA Resources (100%)	
DENMARK		
2 Block 9/06 (Gita)	Maersk Olie og Gas (31.2%)	PA Resources (26.8%), Nordsøfonden (20%), Noreco (12%), Danoil (10%)
3 Block 12/06*	Dana Petroleum Denmark (40%)	PA Resources (24%), Nordsøfonden (20%), Spyker Energy (8%), Danoil (8%)
NETHERLANDS		
4 Block Q7	Tulip Oil (30%)	Energie Beheer Nederland (40%), PA Resources (30%)
5 Block Q10a	Tulip Oil (30%)	Energie Beheer Nederland (40%), PA Resources (30%)
6 Schagen	Tulip Oil (30%)	Energie Beheer Nederland (40%), PA Resources (30%)
GERMANY		
7 B20008-73**	PA Resources (34%)	Dana Petroleum Germany (56%), Danoil (10%)

* Completion of farm-out to Dana Petroleum Denmark is subject to government approvals. Prior to approval PA Resources' interest is 64%.
** Completion of farm-out to Dana Petroleum Germany is subject to government approvals. Prior to approval PA Resources' interest is 90%. Operatorship will change prior to drilling.

North Africa Region

Country/licence	Operator	Partners
TUNISIA		
1 Douleb	PA Resources (70%)*	Serept (30%)
2 Semmama	PA Resources (70%)*	Serept (30%)
3 Tamesmida	PA Resources (95%)*	Serept (5%)
4 Didon****	EnQuest (70%)	PA Resources (30%)
5 Jelma**	PA Resources (70%)	Topic (30%)
6 Makthar**	PA Resources (100%)	
7 Zarat****	EnQuest (70%)	PA Resources (30%)
8 Jenein Centre***	Chinook Energy (65%)	PA Resources (35%)

* Operatorship outsourced to Serept.
** ETAP has the right to take a 50% interest in the Jelma licence and 55% in the Makthar and Zarat licences once discoveries have been made on the respective licences and a development plan has been submitted. Until such time, ownership is shared as shown above.
*** ETAP is the sole licence holder, but has signed a production-sharing agreement with PA Resources and Chinook Energy.
**** Completion of farm-out to EnQuest is subject to government approval.

West Africa Region

Country/licence	Operator	Partners
REPUBLIC OF CONGO (BRAZZAVILLE)		
1 Azurite permit*	Murphy (50%)	PA Resources (35%), SNPC (15%)
2 Mer Profonde Sud**	SOCO International (60%)	PA Resources (25%), SNPC (15%)
EQUATORIAL GUINEA		
3 Aseng	Noble Energy (38%)	Atlas Petroleum (27.55%), Glencore Xstrata (23.75%), PA Resources (5.7%), GEPetrol (5%)
4 Alen***	Noble Energy (44.65%)	GEPetrol (28.75%), Glencore Xstrata (24.94%), Atlas Petroleum (1.38%), PA Resources (0.28%)
5 Block I	Noble Energy (38%)	Atlas Petroleum (27.55%), Glencore Xstrata (23.75%), PA Resources (5.7%), GEPetrol (5%)
6 Block H****	White Rose Energy (46.31%)	Atlas Petroleum (23.75), Roc Oil (19%), PA Resources (5.94%), GEPetrol (5%)

* Participating interests are reported inclusive of the rights to participating interests of the state-owned company SNPC. Production at Azurite ceased in November 2013.
** Completion of the farm-out to SOCO International plc is subject to government approvals. Prior to approval PA Resources' interest is 85%.
*** 95% of the Alen field is located in Block O and 5% in Block I. PA Resources has a 5.7% working interest in Block I, which provides 0.28% of the field in total.
**** Block H expired in February 2014.

Board of Directors' Report 2013

PA Resources AB (publ), corporate identity number 556488-2180

PA Resources is an international oil and gas group which conducts exploration, development and production of oil and gas properties. The Group owns assets in West Africa, North Africa and the North Sea. Oil is produced in West and North Africa.

Key events by region

West Africa

The region contains several producing fields. These are the Aseng and Alen fields in Equatorial Guinea in addition to the Azurite field in the Republic of Congo (Brazzaville) which ceased production in late 2013. Since its production start in November 2011, Aseng has generated a steady cash flow.

Additionally, the group holds interests in several exploration licenses, and drilled exploration and appraisal wells in Block I during 2013.

- **Cessation of production of the Azurite field**
  The Azurite field production continued to decline during 2013 and the field ceased production in November.
- **Production at the Aseng field**
  In 2013, the Aseng field in Block I produced a total of 18 million barrels of which PA Resources' share was 1 million barrels. The average field production rate during 2013 was around 50,000 barrels per day (2,900 barrels per day PA Resources).
- **Start of the Alen field**
  The Alen field in Block O commenced production in mid 2013. The net production to PA Resources is modest but the cost synergies between the Aseng and Alen fields contribute to reduced operating expenses at Aseng.
- **Diega appraisal drilling**
  The I-8 well was drilled to appraise the Diega field and subsequently a horizontal sidetrack was drilled and flow tested for one month. This flow test was highly successful and activities are well advanced to submit a plan of development for Diega in mid 2014.

Key ratios, West Africa 2013

SEK **1,176** million in booked exploration and evaluation assets
SEK **503** million in booked oil and gas properties
SEK **197** million in investments

3,900 barrels per day in production

North Africa

PA Resources has been operating in Tunisia since 1998. The company's offshore oil production from the Didon field is supplemented by three smaller onshore fields and development planning is ongoing for the Zarat field – Tunisia's largest undeveloped oil field.

PA Resources conducts exploration on four licences and is the operator of a total of seven licences. The largest proportion of the Group's employees is based at the regional office in Tunis or offshore at the Didon facilities.

- **Production at the Didon field**
  The Didon field was shut in for an extended period during 2013 whilst the floating storage vessel underwent recertification and upgrade works. The field commenced production in the fourth quarter.
- **Onshore fields**
  The Douleb and Tamesmida produced throughout 2013, however the smallest producer, the Semmama field, was shut-in in mid 2013 due to social unrest in the region.
- **Preliminary agreement for the Zarat field**
  During 2013, work progressed towards the completion and submission in 2014 of a Unit Operating Agreement and Plan of Development for the Zarat field, which extends northwards into a block in which PA Resources does not hold an interest. In addition work continued towards defining an appraisal drilling location on the Elyssa field. In May 2013 PA Resources announced the divestment of a 70% interest in the Zarat permit (including the Zarat and Elyssa fields) and the Didon field to EnQuest. It is intended that EnQuest will become operator for these assets following the necessary regulatory approvals.

Key ratios, North Africa 2013

SEK **2,024** million in booked exploration and evaluation assets
SEK **391** million in booked oil and gas properties
SEK **27** million in investments

700 barrels per day in production

The North Sea

PA Resources conducts exploration activities in the UK, Denmark, the Netherlands, and Germany, but currently has no oil or gas production in this region.

- **Danish licence 12/06**
  Work continued through 2013 to establish the commerciality of PA Resources' 2011 Broder Tuck discovery and to secure a rig to appraise the 2011 Lille John discovery. In the fourth quarter PA Resources announced a divestment of a 40% interest and operatorship in this block to a subsidiary of Dana Petroleum plc in return for various past and future payments.
- **UK licence 22/19a**
  During 2013 PA undertook studies on the 22-19-1 gas condensate discovery, provisionally named Birgitta, to assess the scope for development of this field.
- **German licence B20008/73**
  3D seismic data over this license were acquired and interpreted in 2013 and an application made to extend the licence for the purpose of drilling. In addition in late 2013 PA Resources announced a farm-out of a 56% interest to a subsidiary of Dana Petroleum plc.

Key ratios, North Sea 2013

SEK **450** million in booked exploration and evaluation assets
SEK **47** million in investments

The Group's business activities

Demand for oil

During the year the price of Brent oil traded at an average level of USD 108 per barrel, which was USD 4 per barrel lower than the preceding year. A peak of about USD 119 per barrel was reached in February and a low of about USD 97 per barrel in April. According to the International Energy Agency (IEA), global demand was 91.0 million barrels per day (89.7) in 2013, up 1.4% year-on-year. The IEA estimates demand in 2014 to be about 92.1 million barrels per day, where the demand in OECD countries is decreasing due to a mix of lower consumption, slow population growth and increased energy efficiency while the demand growth in non-OECD countries keeps total demand at increasing levels. Tensions in the Middle East such as the war in Syria and the negotiations with Iran are increasing the risk of disturbances in the global supply of oil. For more information, see page 7.

Production and sales

Production

During all or part of the year, oil was produced from seven fields of which four were located in Tunisia – where the Didon field is the largest – the Azurite field in the Republic of Congo and the Aseng field in Equatorial Guinea. Production from the Didon field was shut in between 1 July and 23 November to allow the Didon FSO vessel to undergo a comprehensive recertification work programme plus upgrades while in dry-dock.

Production from the Azurite field ceased and field abandonment commenced in the fourth quarter. Including 100% Didon production for the period January-May PA Resources produced a total of 1.8 million barrels of crude oil (2.9) in 2013 based on working interest, which is PA Resources share of total gross production before taxes and royalties.

Average production over the year, based on daily production on 30% Didon production was 4,600 barrels per day (7,600).

Sales and customers

In total, 1.6 million barrels of oil (2.4) were sold at an average price of USD 108 per barrel (111) in 2013. The Group's crude oil was sold to major international oil trading companies. The price of oil is set according to pricing formulas that relate the individual oil field's quality to the quality of Brent.

In Tunisia, about 10 percent was sold to the local market in 2013 with discounts pursuant to the licence terms. For more information, see Note 6.

Royalties

The licence agreements for the Republic of Congo, Tunisia and Equatorial Guinea involve royalties, which are paid to the state in oil or as a monetary royalty. In 2013, PA Resources' royalty costs amounted to SEK 156 million (255). For more information, see Note 2.1 and Note 5.

Oil inventory

The oil inventory, including royalties and other taxes, amounted to 87,912 barrels (255,596) on 31 December 2013. The oil inventory outstanding on the balance sheet date is reported as if the oil inventory is sold. For more information, see Note 2.1.

Changes in ownership in 2013

PA Resources made no acquisitions or divestments of companies or shares in companies in 2013. The Group relinquished the licence 2008/17 (Block 8) in Greenland. In early February 2014, Block H was relinquished, for which an impairment was recognised in the fourth quarter of 2013. Furthermore, PA Resources decreased its working interest in licences Didon and Zarat by farming out 70% to EnQuest, as well as 60% in MPS to SOCO, 40% in license 12/06 and 56% in licence B20008/73 to Dana Petroleum.

Employees

At the end of the year, the PA Resources had a total of 112 (124) employees. Of these, 92 (99) were men and 20 (25) women. The average number of employees was 120 (132). PA Resources has offices in London, Stockholm and Tunis, and a representative office in Brazzaville. The majority of personnel is stationed in Tunisia at the regional office and at production facilities. In addition, contractors and consultants are engaged for preparation for and performance of drilling campaigns and development projects.

Remuneration of senior executives

Remuneration of the CEO and other senior executives comprises fixed salary, variable remuneration, other benefits and pensions as detailed in Note 8. The guidelines for remuneration of the Group's senior executives were adopted by the 2013 Annual General Meeting and are presented in the Corporate governance report section on page 30-33.

The environment

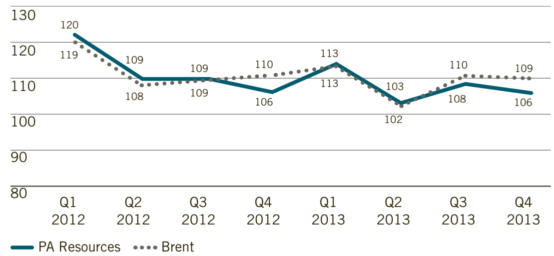
All oil-related operations impact the environment and entail risk. The Group complies with the environmental legislation and regulations applicable in each country. Typical areas regulated include air pollution, water use, discharges to watercourses, handling of hazardous substances and waste, land and groundwater contamination, and restoration of the environment around the facilities after operations have ceased. In Sweden, the group has no operations that require notification or permits under the Environmental Code.

PA Resources strives to minimise the environmental impact and avoid the occurrence of accidents. Therefore, the Group strives to produce the oil as efficiently as possible, to continuously improve working methods and to select equipment that enables a reduction in environmental impact. PA Resources implemented a system for measurement of the Group's environmental performance in 2009 and has reported outcomes since 2010, see performance indicators on page 17. Efforts primarily focus on measures within the following areas:

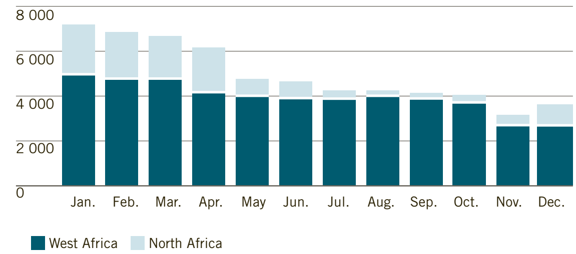
- Atmospheric emissions
- Emissions to land and water
- Handling of produced water
- Energy consumption
- Waste management

PA Resources works with preventative measures to minimise the risk of accidents occurring that could impact the environment or people and crisis management plans have been implemented that are to be followed. For more information, see Sustainability on page 16-18.

Sales price per quarter
(USD per barrel)



Average production per region
(barrels per day)



Disputes

At the time of publication of the Annual Report, PA Resources was not involved in any significant disputes with other parties.

Shares and ownership

PA Resources AB's share has been listed on the NASDAQ OMX in Stockholm since 2006. The share moved to the Small Cap segment in January 2013. For more information, see Note 22 and page 20. Pursuant to the valid Articles of Association for PA Resources, as adopted at the extraordinary general meeting on 5 July 2013, the share capital must be a minimum of SEK 400 million and a maximum of SEK 1,600 million allocated between a minimum of 40 million shares and a maximum of 160 million shares.

As the beginning of the year 2013, PA Resources had carried out the first transaction – the set-off issue – within the framework of the proposed recapitalisation that was approved by an extraordinary general meeting on 7 December 2012. The set-off issue increased the number of shares by 6,455,770,272 and, at year-end, the total number of shares outstanding was 7,093,247,924 (637,476,893) and the share capital was SEK 709,324,792.40 (318,738,446.50). The quota value per share was changed at an extraordinary general meeting on 7 December 2012 from SEK 0.50 to SEK 0.10 per share. A temporary B share was introduced during the issue processes which resulted in two classes of shares. One A share corresponded to one vote and one B share corresponded to half a vote. The B share was only introduced for the administrative management of the issue processes and was never eligible for trading. In early February 2013, the subsequent fully underwritten rights issue was completed, which increased the number of shares by 7,052,751,048. Following this, all B shares were automatically converted to A-shares and became eligible for trading on the NASDAQ OMX in Stockholm from 7 February 2013. Thereafter, the total number of shares outstanding was 14,145,998,972 and the share capital was SEK 1,414,599,897.20. All shares outstanding are class A shares with equal voting rights of one vote per share. In May PA Resources recorded a reversed share split, following that numbers of shares reduced to 28,291,998 with a quota value of SEK 50.00.

In order to additionally strengthening the company´s financial position the extraordinary general meeting on 5 July 2013 took the decision to reduce the share capital and to conduct another new share rights issue. After completed and fully subscribed rights issue the share capital amounted to 1,414,599,900 SEK divided into 113,167,992 shares. Quota value amounts to 12.50 SEK with one vote each. End position after conducted rights issue still applies as per year-end.

On 31 December 2013, PA Resources had one owner, Gunvor Group, with more than 10 percent of the shares in the company. PA Resources AB had no holding in its own shares.

There are no rules in PA Resources' Articles of Association or supplements thereto relating to the appointment or removal of Board members at a general meeting. Regarding severance pay in the event of significant changes in ownership, see Note 8.

Future prospects

PA Resources' production is generated by the fields Aseng and Alen in West Africa, and by the fields Didon and DST in North Africa. The Aseng field started production in late 2011 and in 2012, the field reached a plateau production level of 60,000 barrels per day as compared with the initial plan for 50,000 barrels. The field is expected to generate significant cash flow in future years. The Alen field in Block O commenced production in the third quarter 2013 and production increased in the fourth quarter as the commissioning activities progressed. The production from Alen will be marginal for PA Resources but the synergies from the shared infrastructure will reduce costs per barrel produced. Future production levels, particularly Didon field, depend on the future development plans and the overall development of the reserves.

Successes were achieved during the year through the three farm-out transactions, which implies a positive impact on the company's level of risk and future investment needs. Along with the new rights and bond issues that contributed to the strengthening of the balance sheet, these measures improve the company's discretion to implement future asset transactions and continuing financing activities.

As part of achieving long-term production growth with a stable cash flow, PA Resources will develop a number of prioritised assets. Following the farm-out transactions during the year these investments will be performed with a lower working interest, which minimises exposure in each individual project. In addition, the company will invest actively but selectively in exploration and, where necessary, in the maintenance of producing fields. PA Resources has only a few fixed commitments for 2014 and 2015.

The company's financial performance is principally impacted by trends in oil prices and production levels; it is also affected by exchange rates, interest rates as well as costs for purchasing and rental of services and equipment.

Financial summary

Group revenue and profit

(SEK million)	2013	2012	Change analysis
Revenue	1,312	2 184	Revenue decreased compared with 2012, primarily due to lower production and a lower sales price. Revenue was also affected negatively by currency effects of a weaker US dollar. Adjusted for farmed out Tunisian assets during the period January–May, revenue amounted to SEK 1,199 million for the period.
EBITDA	536* (-395)	1 255	Adjusted for the capital loss of SEK 462 million for the farm-out of the Tunisian assets and the decommissioning costs of SEK 469 million for the Azurite abandonment ,EBITDA amounted to SEK 536 million. Adjusted EBITDA decreased compared with 2012, primarily due to lower revenue counteracted by lower cost of sales following the Azurite abandonment.
Operating profit	338* (-1,135)	684* (-1 064)	Operating profit amounted to SEK 338 million (684) excluding one-off costs. Depreciation and amortisation decreased to SEK 198 million (571) mainly due to recognition of impairment charges for the Azurite field in the third quarter a year ago. Adjusted for one-off items and farmed out Tunisian assets during the period January–May, depreciation and amortisation amounted to SEK 142 million for the period. Operating profit was impacted by significant one-off costs of SEK 1,473 million (1,748) attributable to the capital loss of SEK 462 million for the farmed out Tunisian assets, the decommissioning costs of SEK 469 million for the abandonment of Azurite and also attributable to recognized impairments totalling SEK 542 million. Impairment charges pertains to the relinquished licence 2008/17 (Block 8) in Greenland, remaining costs for investments in the Azurite field, impairment due to the farm-out transaction on the MPS license and impairment losses recognised for licences 9/06 (Gita) in Denmark and Block H in Equatorial Guinea.
Profit before tax	132* (-1,340)	85* (-1 663)	Profit before tax was impacted by the Group's net financial items which amounted to SEK –205 million (–599) for the full year. Currency effects impacted net financial items positively by SEK 100 million (-6). Compared with the preceding year, net financial items were favourably affected mainly by the extinguishment of 90% of the convertible bond during the fourth quarter of 2012. Adjusted for the farmed out Tunisian assets during the period January–May, net financial items amounted to SEK -196 million for the period.
Profit for the year	-92* (-1,219)	-218* (-1 966)	The reported tax charge was positively impacted by a one-off item of SEK 345 million as a result of reversed deferred tax liabilities in line with the farmed out Tunisian assets. In total, reported tax for the period was SEK 121 million (-303). Adjusted for the positive one-off amount and for the farmed out Tunisian assets during the period January–May, reported tax for the period was SEK -233 million.

* Excluding non-cash, one-off costs.

Investments

Total capital expenditures for the period amounted to SEK 271 million (255). Of these, SEK 197 million (221) pertained to the West Africa region and Block I investments for Diega and Carla. Total capital expenditures were at the lower end of the range specified in the full-year forecast of SEK 250-380 million. Capital expenditures for the full year 2014 are expected to be some SEK 300 million.

Capital structure

The objective for the Group's capital structure is to create a balance between equity and loan financing to ensure financing of the business at a reasonable cost. As far as possible the Group endeavours to finance growth and ongoing investments from its own cash flow. The operations are capital-intensive and cash flow has historically been supplemented with bond and bank loan financing and through the issue of new shares and convertibles.

Financing activities in 2013

Rights issues

As a part of the recapitalisation plan presented in November 2012 a fully subscribed rights issue was completed in the beginning of February 2013, which gave PA Resources SEK 604 million after transaction related costs. To further strengthen the financial position of the company the extraordinary general meeting held on 5 July 2013 adopted the decision to implement another share issue with preferential rights for existing shareholders. A fully subscribed rights issue which gave the company SEK 810 million after transaction related costs was completed in September 2013. For more information, see Note 22.

Bond loans

During the year, PA Resources issued bonds with a value of SEK 750 million within the frame work of an unsecured bond loan of SEK 1,000 million with maturity in March 2016. The net proceeds from the issue were used to repay a bond loan with a nominal value of SEK 850 million which matured in October 2013. In addition NOK 90 million has been amortised according to plan on an amortising bond loan with an original nominal value of NOK 900 million For more information, see Note 23.

Reserved based lending facility, credit facilities and other interest-bearing loans and borrowings

PA Resources' reserved based lending facility was at year end SEK 550 million (727), of which SEK 550 million (414) was recognised as short-term interest-bearing loans and borrowings. For more information, see Note 23.

Amortisation

During the year, PA Resources paid down a net total of SEK 419 million (568) in interest-bearing liabilities. The Group's total interest-bearing liabilities amounted to SEK 2,194 million (2,688) as per 31 December 2013. For more information, see Note 23.

Financial control and goals

Liquidity is monitored and planned on an ongoing basis to meet expected payment flows. Bank relations and borrowing needs as well as currency and liquidity management are coordinated by the Group's central Treasury function.

The liquidity risk is balanced through planning the maturity structure of the Group's outstanding financial liabilities. Ultimately, the Board of Directors monitors the Group's capital

Group liquidity and financial position

(SEK million)	2013	2012	Change analysis
Cash flow from operations	-379	838	The Group's operating cash flow for the period was SEK -379 million (838). The negative cash flow for the period is mainly attributable to payments made in the first quarter in connection with the termination of the planned sidetrack on the Azurite field as well as payments made in the fourth quarter of 2013 in connection with the early abandonment of the Azurite field. Operating cash flow for the corresponding period in 2012 was positively affected by lifting proceeds from the Azurite field.
Net cash flow after financing and capital expenditure	345	15	Total capital expenditures for the period amounted to SEK 271 million (255). Of these, SEK 197 million (221) pertained to the West Africa region. Cash flow from financing activities was positively impacted from two completed rights issues totalling SEK 1,413 million, net after issue costs. Net cash flow was negatively impacted from amortization of net, SEK 419 million (568). Net cash flow after financing and capital expenditures was SEK 345 million (15).
Cash and cash equivalents at year-end	403	58	Cash and cash equivalents amounted to SEK 403 million (58).
Total interest-bearing liabilities including convertibles	2,194	2,688	Total interest-bearing liabilities, long-term and short-term, decreased during the year, primarily due to amortization in existing bonds and credit facilities. The existing convertible bond, totalling SEK 94 million, nominal was fully repaid 15 January 2014. The Group's bond loans have two financial covenants: minimum book equity of SEK 1,000 million and a minimum book equity to capital employed ratio of 40%. The Group was in compliance with both covenants as per 31 December 2013.
Equity at balance sheet date	1,795	1,590	Shareholders' equity amounted to SEK 1,795 million and increased by SEK 205 million during the period as a result of the completed rights issues totalling SEK 1,413 million, net after issue costs counteracted by the profit for the period of SEK -1,219 million. Shareholders' equity was positively affected by exchange differences of SEK 11 million.

structure and financial management, approves issues concerning acquisitions, investments, borrowing and monitors the exposure to financial risk on an ongoing basis.

Financial covenants

All PA Resources' bond loans contain financial covenants. These apply to the level of book equity, the ratio between book equity and capital employed as well as the possibility of paying a dividend and the buy-back of the company's shares. In addition the company has restrictive loan terms in its reserve based lending facility. In 2013 PA Resources was granted wavers by the bondholders and the lender to the reserve based lending facility to avoid breach of covenants during the period until the second rights issue was completed. For more information, see Note 23

Reporting of financial instruments

Neither PA Resources AB nor its subsidiaries carry out hedge accounting for reporting purposes but may elect to implement various hedging measures in respect of interest-bearing liabilities.

PA Resources can use currency and interest rate swap contracts to match the currency and interest rate exposure of the Group's bond loans. Currency swap contracts are used to hedge loans in local currencies against the USD. Interest rate swap contracts, for which the interest rate can be changed from variable to fixed, and vice versa, are utilised to manage interest rate exposure. The Group had no currency or interest rate swap contracts outstanding as per 31 December 2013, nor as per 31 December 2012.

In addition, PA Resources may, from time to time, choose to hedge the oil price for a portion of its production through the purchase of put options, which provide the Group with a right, but not an obligation, to sell a volume of oil at a predetermined price during a predetermined period. The Group held no put options at 31 December 2013, nor as per 31 December 2012.

Parent company's profit/loss and financial position

The parent company's revenue pertains mainly to intra-Group sales and amounted to SEK 32 million (28) for the period. Impairment charges amounted to SEK 97 million (0) for the period and pertain to a one-off write-down of licence 2008/17 (Block 8) in Greenland. Net financial items amounted to SEK -2,333 million (-803) for the period. Net financial items were negatively affected by the result from participations in Group companies. For more information see Note 30. The reported income tax pertains mainly to non-cash deferred tax charges mainly due to restructuring of the Group´s internal loan structure and amounted to SEK -103 million (136) for the period.

Other long-term receivables included in financial assets amounted to SEK 502 (0) million and other receivables amounted to SEK 154 million (2). The increase is attributable to the farm-out of the Tunisian assets. Financial assets are classified as exploration and evaluation assets in the consolidated statement of financial position.

Shareholders' equity amounted to SEK 1,530 million, compared with SEK 2,676 million at year-end 2012. The decrease is mainly attributable to impairment of receivables from subsidiaries and of shares in subsidiaries for a net value of SEK 2,527 million, counteracted by the two completed rights issues in the first and third quarters, totalling SEK 1,413 million, net, after issue costs.

Significant risks and risk management

Operational risks

P Financial impact if the risk occurs

Description of risks	PA Resources' risk management	Outcome 2013	
>>> Varying production levels			P
PA Resources produces at a limited number of fields. This means that natural decline in production and production disruptions at individual wells or facilities can have a negative impact on total production levels and revenue. In conjunction with work on producing oil fields, production levels may be subject temporarily to negative impact.	PA Resources works with exploration and development of new oil fields to maintain production levels and cash flow. A long-term objective is to develop more fields into producing fields. Improvements are implemented at existing production facilities to optimise production.	Production at the Aseng field in Equatorial Guinea started coming down from plateau production, and the field has been producing a stable flow throughout the year. Further prospecting was conducted in Block I, with a well on the Carla field that found oil. Also the Alen field started production during the year, although with a limited impact on PA Resources' production levels. The abandonment of the Azurite field started during the year. PA Resources' assets in the North Sea and Tunisia were taken closer to production through the farm-outs that took place during the year. Read more on page 5.	High
>>> Decline in reserves			P
PA Resources' reserves and production will decrease over time as the existing reserves are utilized unless new reserves are added through exploration, acquisition or development.	PA Resources carries on exploration activities in existing licences and develops discoveries for production. The objective is to have a balanced asset portfolio with licences spread across the stages of exploration, appraisal, development and production.	At year-end, proven and probable (2P) reserves based on working interest amounted to 21.6 million barrels oil equivalents (55.7), of which 14.1 million barrels (38.1) were 1P reserves. Changes in PA Resources reserves are due to production, updated estimates and farm-outs of fields in Tunisia, Danmark, Germany and Congo (Brazzaville). Read more on page 6.	High
>>> Fluctuations in the price of oil and gas			P
The world market price of oil and gas fluctuates from day to day and is influenced by a wealth of factors outside of PA Resources' control, including the global economic trend, government and central bank measures, geopolitical unrest, weather, availability of oil, investment costs and access to alternative energy sources. In the long term, demand for oil and gas can also be influenced by the climate debate and the endeavour to reduce carbon emissions to the atmosphere. Major price fluctuations are negative since lower revenues and increased uncertainty impact the size of investments.	When required, PA Resources hedges the oil price of future sales. The investment budget and plans are continuously reviewed and costings revised based on the prevailing market situation. Deferment of certain investments, primarily in those fields where the Group is operator or major owner, is common in periods of low oil prices.	The price of Brent crude reached an average price of USD 108 per barrel in 2013. PA Resources' average sales price tracked Brent crude over the year and was USD 108 per barrel. Read more on page 24.	High
>>> Natural disasters			P
PA Resources' existing or future production facilities may be impacted by natural disasters. Should such an event occur, existing oil production may be negatively affected or even cease. Natural disasters can have a devastating effect on the activities of the company, wiping out large values. In addition, natural disasters can mean a stop in production with accompanying major costs for restoring production as well as a period with no or partial sales revenue.	In the case of a natural disaster, risks exist that PA Resources would not have sufficient financial resources to immediately, or at all, make the requisite investments for restoring production. The Group holds property and liability insurances in line with international standards, but is not fully insured against all types of risks. There is an additional risk that the Group cannot obtain full compensation from insurance in the event of a natural disaster.	In 2013, PA Resources did not suffer the effects of any natural disaster.	High
>>> Accidents, damage and delays			P
The Group may also suffer accidents and damage to facilities, environmental damage or personal injuries. For example, fires, explosions, blowouts, accidental leaks and shipping accidents can occur. Delays can arise due to bad weather, poorly performed work by external partners, changes in government requirements and delayed deliveries of equipment.	Efforts are actively pursued in the areas of health, the environment and safety to minimise the risk of accidents, injuries and delays. Safety and risk assessments are performed and measures taken ahead of drilling, seismic surveys and the development of fields. The Group has property and liability insurances in line with international standards, but the Group is not fully insured against all types of risks.	No accidents occurred in 2013. Read more on page 18.	Low–High
>>> Geological risks			P
All estimations of oil and gas reserves and resources involve a certain degree of uncertainty. The risk exists that the estimated volumes will not accord with reality. The probability of discoveries of oil or gas varies. If a well proves to be dry, there will be no return on the investment. Even if an oil discovery is made, the qualities of the bedrock may prevent production.	PA Resources' estimates of reserves are performed pursuant to well-established rules and standards. The Group strives to employ staff with a high level of geological expertise in order to minimise the risk of inaccurate estimates. When estimating reserves and resources the probability of the volumes existing in reality is also assessed.Also considered is the fact that, in statistical terms, a certain proportion of the wells drilled will be dry. The reserves and resources are classified differently depending on this probability, which provides a measurement of the geological risk.	PA Resources' exposure to this risk is comparable with that of other oil companies. A sidetrack well was drilled on Azurite early in the year which was unsuccessful and thereby contributed to the decision to abandon the field.	Medium
>>> Competition			P
The petroleum industry is highly exposed to competition at every level. This applies to the acquisition of working interests in oil and gas licences, the sale of oil and gas, the availability of the necessary drilling equipment and other consumables as well as access to qualified and skilled personnel in those areas where activities are conducted or will be conducted. PA Resources competes with many oil companies with substantially larger resources, more staff and larger facilities than the Group and its partners.	PA Resources works actively with the optimal development of its own assets and with the identification and acquisition of suitable producing assets or discoveries for exploration. The Group must also meet financial and competition-related factors that impact the distribution and sale of oil and gas in a cost-efficient manner.	The availability of rigs approved for drilling in Denmark was extremely limited during the year. PA Resources' continued appraisal and exploration on licence 12/06 was delayed as no rig could be contracted.	Low–High

Read more about risks at www.paresources.se

Cont. Operational risks

Description of risks	PA Resources' risk management	Outcome 2013	
>>> Shared ownership and partnership			P
PA Resources has shared ownership in several licences in partnership with other companies. In a partnership, it may be difficult to influence how operations on the licence are conducted, especially where PA Resources isn't the operator. If a partner doesn't meet its obligations, PA Resources may, among other things, risk losing its rights or income, or be forced to take on obligations or costs to cover that partner's obligations.	In cases where PA Resources has farmed in or out assets, or where licences are owned in partnership, this has been done with companies that have a good reputation in the industry. In those cases where the operations are managed by partners, operating agreements generally include standards and requirements in respect of how the operator is to conduct business.	Shares in several licences have been farmed out during the year, with operatorship also transferred. The partners chosen in these transactions are of good repute in the industry and have core competencies in the type of development required for each licence. Read more on page 5.	Low–High
>>> Other operational risks			P
In the course of its activities, PA Resources meets a number of other operational risks, including disputes regarding agreements, revocation of licences and increased costs for handling or dismantling facilities. Other risk factors that are presently unknown or which are not deemed significant at present may impact the Group's operations, earnings or financial position.	PA Resources complies with the applicable laws and regulations of those countries in which it operates and with the agreements made. However, the possibility of an agreement becoming the subject of differing interpretation and disputes under the applicable legislation cannot be ruled out. The Group is responsible for the dismantling and asset retirement costs for those fields to be abandoned and closed down. These costs can increase due to new legislation or the cleaning up of an unforeseen environmental impact.	In 2013, no licences were revoked. One licence in Greenland was relinquished. No significant disputes are ongoing between PA Resources and any other parties at the time of publication of the Annual Report. During the year, the abandonment of the Azurite field was commenced.	Low–High

Financial risks

Description of risks	PA Resources' risk management	Outcome 2013	
>>> Refinancing risk			P
PA Resources is in need of refinancing for maintenance, development and exploration of the Group's licences and discoveries. In addition, the Group needs a liquidity reserve for the management of current payment obligations in operating activities, planned investments and amortisations. Refinancing risk is defined as the risk that financing or refinancing is troublesome or costly to secure.	PA Resources continuously monitors and evaluates financing and refinancing possibilities over time.	In 2013 two rights issues were carried out, netting the company SEK 604m and SEK 810m respectively after transaction costs. One of PA Resources' bond loans of SEK 850m matured and a new bond issue for SEK 750m was carried out. Read more in Note 23.	Medium–High
>>> Liquidity risk			P
PA Resources' business activities are capital intensive. Field exploration and development requires access to financing as a supplement to cash flow from operations. The ability to make investments may be impaired if the cash flow were to be insufficient or external sources of capital limited. If the Group is unable to meet its amortisation or interest payments fall due and unable to renegotiate or refinance the loans there is a risk of a new issue of shares. If a new issue of shares cannot be performed the company could become subject to a reconstruction process or be placed into receivership.	Continuous work is performed on raising capital and refinancing through, for example bond loans and other types of facilities. The objective is to create a balance between equity and loan financing so that financing of operations is secured at a reasonable capital cost.	On the balance sheet date, cash and cash equivalents amounted to SEK 403 million (58). Read more in Note 32.	Medium–High
>>> Other financial risks			P
Through its operations, PA Resources is exposed to the majority of financial risks, including interest risk, credit risk and currency risk as well as transaction risk and translation risk. Read more in Note 32.	Interest risk is managed through measures including interest swaps while currency risk is managed through natural hedging of flows through raising loans in foreign currencies. Credit risk is managed through checking the creditworthiness of all customers that wish to do business on credit. Read more in Note 32.	The average fixed-interest period was 1.6 years (1.5) at year-end. A concurrent shift in the interestrate curve of one percentage point for all the Group's loans would have an impact on net financial items of SEK 0 million (0). A concurrent 10% change in each currency against the SEK would have a +/- effect on the Group's operating profit of SEK 11 million (18). Read more in Note 32.	Low–High

Political risks and risks related to society

Description of risks	PA Resources' risk management	Outcome 2013	
>>> Political and economic instability and corruption			P
PA Resources conducts business activities in countries where corruption exists and a substantial level of risk exists in respect of political instability. The concept, political instability, comprises financial vulnerability and vulnerability to unrest. Unrest, political and economic instability in society, can hinder the company from conducting business, cause production interruptions, delays and pose a threat to safety among other items.	PA Resources avoids establishing operations in new countries where the level of instability is deemed too high and has zero tolerance for bribes and facilitation payments. If instability or unrest arises, the risks are evaluated to facilitate management. For guidance on the management of difficult situations, the Group uses the OECD Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones among other tools. Read more on www.sweden.gov.se.	(see table below)	Medium–High
>>> Negative changes in fiscal terms			P
PA Resources' operations are affected by the applicable tax rules of each country in which the Group operates. Tax often comprises various combinations of royalties, discounts on oil produced, income tax, investment subsidies, stamp duty and capital gains tax. Oil producing developing countries have had a tendency to raise these taxes in pace with rises in oil prices, which can negatively impact earnings and cash flow.	PA Resources strives to maintain a healthy ongoing dialogue regarding taxes with government agencies in those countries where the company has operations.	In 2013, no fiscal terms were changed in the oil-producing countries.	Low–High

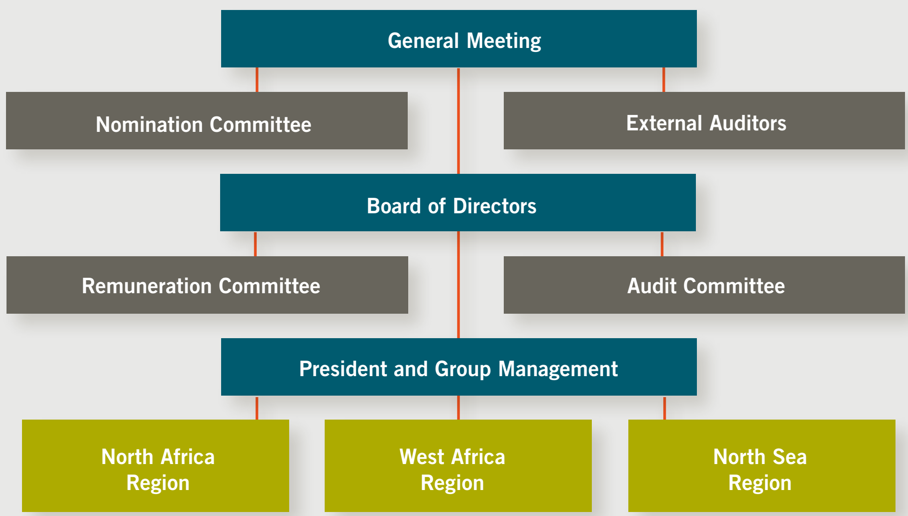
	Political risk	Safety risk
Equatorial Guinea	High	Medium
The Republic of Congo	Medium	Medium
Tunisia	Medium	Low
The UK	Low	Low
Germany	Low	Low
The Netherlands	Low	Low
Denmark	No risk	No risk
Sweden	No risk	No risk

Source: Control Risk

Corporate governance report 2013

PA Resources views solid corporate governance and sound risk management as core elements for sustainable and profitable business. The role of corporate governance is to create favourable conditions for active and responsible ownership, as well as a clear structure and division of responsibility between the Board of Directors and company management. At the same time, corporate governance is aimed at upholding confidence among investors, capital markets, partners, customers, employees and other stakeholders.

Governance of PA Resources



General Meeting
The shareholders' meeting is the highest decision-making body of PA Resources, with all shareholders entitled to attend, to raise a matter for discussion, and to exercise their voting rights. The Board of Directors is elected at the company's Annual General Meeting (AGM). In addition, the AGM adopts the company's and the Group's income statements and balance sheets, and elects the company's external auditors. In addition, the AGM passes resolutions regarding directors' fees and adopts guidelines governing the remuneration of senior executives.

Nomination Committee
The Nomination Committee represents the company's shareholders, and is tasked solely with preparing recommendations on election and remuneration issues for decision at the AGM, as well as, in certain cases, proposing procedural questions ahead of the next Nomination Committee. The Nomination Committee is appointed each year for PA Resources in line with the resolution passed at the AGM. The Nomination Committee comprises the Chairman of the Board together with representatives of the three largest shareholders in the company at the end of the third quarter, who have elected to be represented on the Nomination Committee. In accordance with an AGM resolution, changes in ownership must be taken into consideration when appointing representatives for the Nomination Committee.

External auditors
The company's auditor is Ernst & Young AB, and the auditor in charge is Authorised Public Accountant Björn Ohlsson. Ernst & Young AB, which was re-elected as the company's auditor at the 2013 AGM, performs the audit for all significant companies in the Group. In conjunction with the company's year-end book closing, the auditor reviews the company's annual accounts, consolidated financial statements and accounting as well as the administration of the Board of Directors and President. Under assignment from the Board of Directors, the auditor performs a review of the half-year interim report. The auditor works according to an established audit plan and reports observations to the Audit Committee on an ongoing basis over the year. Furthermore, the auditor provides an audit report and participates in the AGM.

Board of Directors
The Board of Directors has overarching responsibility for administration of the affairs of the company in the best possible manner on behalf of the shareholders. The Board's work follows an annually established work plan. The Board oversees the President's work by performing an ongoing follow-up of business activities. Furthermore, the Board monitors the company's organisation, management and guidelines to ensure that they are appropriately structured and that internal control is satisfactory. The Board sets strategies and goals, and makes decisions on major investments, acquisitions and divestments of operations and assets. The Board also appoints the company's President and sets the salary and other remuneration of the President and other senior executives.

Pursuant to the Articles of Association, the Board of PA Resources must consist of a minimum of three and maximum of eight members, with a maximum of eight deputy members. The Chairman directs the work of the Board and is responsible for it being well-organised and efficiently performed.

This includes ongoing monitoring of the company's operations through dialogue with the President and responsibility for ensuring that other Board members receive information and supporting documentation that ensures high-quality discussion, with adequate supporting documentation for board decisions. The Chairman leads the evaluation of the Board's and the President's work and represents the company in ownership issues.

Key external rules and regulations

- The Swedish Companies' Act
- NASDAQ OMX Stockholm's rules and regulations
- The Swedish Corporate Governance Code (the Code)
- Accounting standards.

Key internal rules and regulations

- The Articles of Association
- The Board's formal work plan and the Board's special instructions for the President including instructions pertaining to financial reporting to the Board, and instructions for committees
- Guidelines for remuneration of senior executives
- Policy documents (for example, finance, communication and environment) and instructions (such as, authorisation and payments).

Remuneration Committee

The Remuneration Committee prepares decisions for the Board in matters relating to remuneration guidelines and other terms of employment for the company's senior executives. The Committee monitors and evaluates variable remuneration programmes, the application of resolutions passed by general shareholder meetings on guidelines for remuneration of senior executives, and the structures and the remuneration levels applicable within the Group.

Audit Committee

The Audit Committee monitors the financial reporting, the effectiveness of the company's internal control, internal audit and risk management. The Committee ensures that it stays informed regarding the audit, reviews and monitors the impartiality and independence of the auditor, and assists the Nomination Committee with proposals for the election of auditors at the AGM. The Audit Committee serves as drafting body and makes recommendations to the Board for decision.

President and Group Management

PA Resources' President and CEO is responsible for leading and developing the continuing activities of the company in accordance with the Board's guidelines and instructions. The Board's formal work plan and the Board's special instructions for the President detail, among other things, the division of duties between the Board and the President. In consultation with the Chairman, the President prepares documentation and supporting data for the Board's work. The President is supported by the company's CFO, who together with the President formed the Group Management in 2013.

As of the 2014 financial year, Group Management includes, in addition to the CEO and CFO, SVP Exploration/Regional Director of Region West Africa and North Sea, Managing Director of Region North Africa, VP Business Development and General Counsel. PA Resources has a decentralised organisational structure in which the respective regions have responsibility for the development of their respective activities through established goals, strategies and budgets. The regions are responsible for their operating income, capital and cash flow, which are followed up on a monthly basis at the business review meetings. Operational activities are followed up on a continuous basis by the CEO and CFO, and weekly Group Management meetings are held by telephone.

Work during 2013

Annual General Meeting 2013

The AGM was held on 14 May 2013 in Stockholm. The meeting was attended by 39 shareholders, either in person or through a proxy, which corresponded to about 16.16% of the shares and votes in the company. Attorney Sven Rasmusson was elected as AGM Chairman. The AGM approved the following resolutions:

- to adopt the income statements and balance sheets for the Parent Company and the Group, as well as to discharge the members of the Board and the President from liability for their administration
- to not pay a shareholder dividend
- to re-elect board member Paul Waern and to newly elect Sven A. Olsson, Philippe R. Probst and Philippe R. Ziegler, as board members, and to elect Sven A. Olsson as Chairman of the Board
- to adopt the principles for appointment of the Nomination Committee ahead of next year's AGM, which will comprise the Chairman of the Board and representatives of the three largest shareholders of the company at the end of the third quarter in 2013, who have elected to be represented on the Nomination Committee
- to set director's fees at a total of SEK 1,375,000, of which SEK 550,000 to be paid to the Chairman and SEK 275,000 to each of the Board members
- to re-elect Ernst & Young AB as the company's auditor, with Björn Ohlsson as auditor in charge
- to adopt the guidelines for remuneration of the President and other senior executives as proposed by the Board of Directors.

Extraordinary general meeting on 9 April 2013

An extraordinary general meeting was held on 9 April in Stockholm to decide on a 1:500 reverse share split, entailing that 500 shares would be consolidated into one share. The meeting was attended by 11 shareholders, either in person or through proxy, which corresponded to about 1.4 % of the shares and votes in the company. Attorney Sven Rasmusson was elected as Chairman of the meeting.

Extraordinary general meeting on 5 July 2013

An extraordinary general meeting was held on 5 July 2013 in Stockholm to decide on matters pertaining to the rights issue that was to be carried out in 2013. The meeting was attended by 30 shareholders, either in person or through a proxy, which corresponded to about 31 percent of the shares and votes in the company. Attorney Gunnar Johansson was elected as Chairman of the meeting. The following resolutions were passed at the extraordinary general meeting:

- to adopt new articles of association, including amended limits for the share capital and number of shares
- to reduce share capital by changing the quota value of the company's share
- to carry out a 100%-guaranteed rights issue
- to carry out a bonus issue
- to appoint Nils Björkman as a new board member, with a director's fee of SEK 275,000 to be paid to him under the corresponding guidelines that apply for the other board members.

The Nomination Committee's work

The 2013 AGM resolved that the Nomination Committee, ahead of the 2014 AGM shall be comprised of the Chairman of the Board and representatives of the company's three largest shareholders according to Euroclear Sweden's share register as per 30 September 2013, and who have elected to be represented on the Nomination Committee. In the event that such a shareholder does not appoint a representative to the Nomination Committee, or if a shareholder sells a significant portion of its shares prior to the constitution of the Nomination Committee, the fourth-largest registered shareholder is asked, and so on. In addition, significant changes in the ownership structure must be reflected in the composition of the Nomination Committee.

Of the three owner representatives, Dirk Jonker was appointed as Nomination Committee chair. To date, the Nomination Committee has met on 2 occasions. The Chairman of the Board informed the Nomination Committee about the work of the Board and the committees during the year and presented the annual evaluation of the Board of Directors.

The statement and recommendations of the Nomination Committee at the AGM will be announced ahead of the AGM on 16 April 2014 at www.paresources.se.

Members of PA Resources' Nomination Committee for the 2014 AGM

Representative	Shareholder	Holding/votes as per 31 Dec 2013
Dirk Jonker	Gunvor Group	35.9%
Garrett Soden	Lorito Holdings Ltd	9,7%
Göran Ågerup	Ågerup Fastigheter AB	2.1%
Sven A. Olsson	Chairman of the Board	N/A

Nomination Committee contact

Shareholders may submit proposals to the Nomination Committee at any time by e-mail: valberedningen@paresources.se

Proposals must be submitted well in advance of the AGM for the Nomination Committee to be able to take them into consideration.More information is available at www.paresources.se/en/Corporate_Governance.

The work of the Board

In 2013 the Board comprised five ordinary members* and held a total of 21 meetings. Prior to each regular board meeting, the board members were provided with a written agenda and complete information and decision documentation. The company's President and CFO attended to give presentations, and minutes were recorded by the board secretary. At each regular board meeting, the President - in certain cases assisted by the CFO - submitted a status report of business activities that included production and sales data, financial reporting, oil price trends and a review of the company's ongoing projects. The Board's work focused on the areas described in the figure to the right.

The Remuneration Committee's work

Since the period following the extraordinary general meeting of 5 July 2013, the Remuneration Committee has consisted of the Chairman of the Board and two board members, Nils Björkman and Paul Waern. The Chairman also served as committee chair. No formal meetings have been held during the period from the extraordinary general meeting to 31 December 2013, instead, remuneration matters were prepared and decided on by the Board in its entirety. During the period 1 January 2013 up until the AGM in May 2013, the Remuneration Committee consisted of the former Chairman Hans Kristian Rød and former board members Catharina Nystedt Ringborg and Lars Olof Nilsson. Three meetings were held during this period. The work of the Remuneration Committee was primarily focused on the following areas:

- evaluation of the remuneration of senior executives
- proposed guidelines for remuneration of senior executives
- compensation and bonus issues.

* The Board consisted of four members during the period from the AGM in May 2013 until the extraordinary general meeting on 5 July 2013, when Nils Björkman was appointed as the fifth board member.

Annual General Meeting 2014

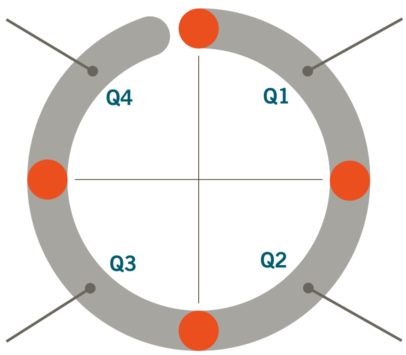
The Annual General Meeting of PA Resources AB will be held on 16 April 2014 at Citykonferensen (Polhem), Malmskillnadsgatan 46, Stockholm.

Shareholders who would like to raise an item to be addressed at the AGM can submit a written proposal to the Board in ample time prior to the AGM. For more information about the AGM see page 84 or www.paresources.se/en/Corporate_Governance

Work of the Board in 2013

Fourth quarter
- Review, evaluation and decisions regarding the company's ongoing projects and farm-out processes, strategies and funding
- Budget and work plan for 2014
- Interim report for the third quarter
- Preparations of decision regarding the bonus programme

Third quarter
- Capital and financing matters in connection with the rights issue and the subsequent bond issue
- Interim report for the second quarter
- Review, evaluation and decisions regarding the company's ongoing projects and farm-out processes, strategies and funding.
- Appointment of Mark McAllister as new CEO



First quarter
- Year-end report
- Evaluation of the Board's work in 2012
- Capital and financing issues
- Annual Report and proposed distribution of earnings
- AGM agenda and proposed guidelines for remuneration of senior executives
- The Remuneration Committee's evaluation of remuneration of senior executives
- Review and evaluation of the company's ongoing projects and farm-out processes, strategies and financing
- Decisions on matters regarding the consolidation of the company's share

Second quarter
- Interim report for the first quarter
- Review, evaluation and decisions about the company's ongoing projects and farm-out processes
- Review of the asset portfolio and possible need to recognise impairment losses
- Capital and financing issues ahead of resolution and proposal to carry out the rights issue
- Appointment of board member Philippe R. Probst as Acting CEO

The Audit Committee's work

During the period starting from the extraordinary general meeting on 13 July 2013, the Audit Committee was composed of the Chairman of the Board and two board members, Philippe R. Ziegler and Paul Waern. The Chairman of the Board serves as committee chair. The company was represented by the CEO and CFO. During the period 1 January 2013 up until the Annual General Meeting in May 2013, the Audit Committee consisted of the former Chairman, Hans Kristian Rød, and former board members, Per Jacobsson and Lars Olof Nilsson.

A total of four meetings were held during 2013, and the work principally focused on the review and approval of the company's interim reports and year-end report. At the meeting held in conjunction with the year-end report in February and the six-month report in August, a more in-depth review of the auditor's report was performed. At the meeting in October, a review was conducted of the work with the ongoing overview of the company's accounting principles.

Evaluation of the Board's work

An annual evaluation of the Board's work was performed. The evaluation focused primarily on internal issues pertaining to decision quality, the Board's administration, as well as the Board's composition and competence. The results were presented to, and discussed by, the Board and were also distributed to the Nomination Committee.

External auditors

The company's auditor presented the Audit Committee with its observations from the review of internal control, financial reporting and financial statements, and also took part in Audit Committee meetings. The appointed auditor was Ernst & Young AB, with Authorised Public Accountant Björn Ohlsson as auditor in charge, who has headed the audit assignment since 2012. Ernst & Young AB performed a review of the interim report for the second quarter of 2013.

In addition, Ernst & Young AB was consulted on taxes matters, various accounting and financing matters, and matters related to the rights issue and the bond issue. Ernst & Young is obligated to test its independence prior to any decision to provide independent advice outside of its audit assignment for PA Resources.

Remuneration of management and Board

Remuneration guidelines
Guidelines for the remuneration of senior executives of PA Resources are adopted by the AGM. PA Resources shall offer a total remuneration package that is in line with the going rate in the market and enables qualified senior executives to be recruited and retained. Fixed salary and other remuneration shall be commensurate with the executive's level of responsibility and authority. The total remuneration package includes:

- Fixed salary
- Variable remuneration linked to clearly defined and measurable goals, which is not permitted to exceed the individual's fixed salary paid over the same time period as the variable remuneration
- Defined-contribution pension provisions
- Other benefits, such as company car or car allowance
- Termination pay and severance pay which may not exceed 18 months' salary

The Board's proposed remuneration guidelines ahead of the 2014 Annual General Meeting are in principle in line with the policies applied thus far, however, the categories covered by the proposals have expanded and include - aside from the CEO and CFO - SVP Exploration, the Managing Director West Africa and North Sea region, the Managing Director for Tunisia, VP Business Development and General Counsel of PA Resources. The Board's complete proposal regarding guidelines and other material ahead of the 2014 AGM will be available at www.paresources.se/corporate_governance

Long-term bonus programme
During the year, the company's board and remuneration committee evaluated the remuneration and bonus terms for senior executives, among others. The Board has decided to implement a new bonus system that is linked to the PA Resources share price and EBITDA for the Group. The bonus system has a qualification period of three years.

Payment of bonuses is contingent on an increase in the share price by more than 50%. The maximum outcome will be achieved if the share price rises by 100% or more. The outcome will be settled as a cash salary payment, and any payment is contingent upon the employee remaining employed throughout the entire measurement period. The bonus programme is rolling, which means that a new three-year bonus period begins at the start of each year.

The first bonus period covers the period 1 January 2014 – 31 December 2016, and the starting share price was SEK 8.50. This means that bonus payments may be made, provided the other conditions are met, if the share price at the end of December 2016 exceeds SEK 12.75. The maximum bonus that can be paid out for each qualification period is one year's salary for the CEO and other senior executives.

Remuneration of senior executives
Senior executives are defined as the CEO and CFO, who are part of PA Resources' Group management*. Their remuneration in 2013 is reported under Note 8 on page 61. According to the terms of employment that apply for the company's CEO and CFO, they are entitled to yearly, individual performance-based bonuses, whereby the individual bonus that can be paid out cannot exceed 50% of yearly salary in a given year for the CEO, and 40% of yearly salary for the CFO, based on the achievement of these individuals' performance-based targets.

Remuneration of Board of Directors
Fees payable to the Board of Directors of PA Resources are set at the AGM based on the Nomination Committee's recommendation. In 2013, fees were paid as detailed on page 36.

Auditors' fee
In 2013, fees paid to auditors were as detailed in Note 11.

Internal control over the financial reporting

The Board has ultimate responsibility for ensuring that the internal control over the financial reporting is in compliance with external regulations. These regulations include requirements for the publication of information about how the internal control is organised, and are aimed at ensuring accurate and reliable financial reporting and accounting that is in line with the applicable laws and statutes, accounting standards and other requirements for listed companies.

Framework
PA Resources' internal control process is based on the COSO framework (The Committee of the Sponsoring Organizations of the Treadway Commission**) and is based on the five internal control elements described below.

Control environment
The internal control structure of PA Resources builds on a clear division of responsibilities between the Board and the President, as well as the bodies established by the Board, that is, the Audit Committee and the Remuneration Committee. The Board's formal work plan, which includes the CEO's instructions and instructions for financial reporting, is updated and adopted each year by the Board and states which supporting documentation and which financial information is to be presented to the Board in conjunction with each regular board meeting. The CEO is responsible for ensuring that the Board receives the necessary reports to enable the Board to assess the company's and the Group's financial position. The information includes a presentation and analysis of the earnings trend, cash flow and financial position, as well as budget and forecasts, including ongoing follow-up of these.

The Audit Committee is tasked with monitoring and quality-assuring the company's financial reporting. Its work is focused on assessing the effectiveness of the company's internal control

* As of the 2014 financial year, PA Resources' Group management includes the CEO, CFO, SVP Exploration/Managing Director West Africa and North Sea region, Managing Director Tunisia, VP Business Development and General Counsel.
** The original COSO framework was launched in 1992 and updated in May 2013.

and on assessing estimates and reported values that could impact the quality of reporting. The Audit Committee keeps itself informed about the audit of interim reports, the Annual Report and consolidated financial statements through the attendance by the company's auditor at committe meetings. The CEO and CFO of PA Resources attend Audit Committee meetings, while the members of the Audit Committee also maintain regular contact with these two officers.

The control environment at PA Resources determines the individual and collective approaches within the Group and is defined and maintained primarily by:

- the organisational structure, the company culture, the employees' competence, decision-making paths and methods of conducting operations
- overarching policy documents encompassing policies and directives for the various business activities and functions
- responsibilities and authorities as defined through various policies, payment authorisation instructions, manuals, procedures and codes
- laws and external rules and regulations.

Risk assessment

Risks for material errors or deviations from the disclosure requirements may arise in conjunction with the accounting and valuation of assets, liabilities, revenue and expenses. Risk assessment in the financial reporting is aimed at establishing the material risks that impact reporting in the Group's companies and various processes. To mitigate these risks, a control framework has been established for reporting, procedures and detailed timetables for closing the accounts and forecasts. The Board and management of PA Resources assess the ongoing reporting from a risk perspective. Comparisons are made of income statement and balance sheet items with regard to materiality and complexity, and of earlier reporting and budgets. The internal control structure is adapted to meet any changes that occur in the risk assessment.

In addition to the assessment of risks in the financial reporting, the Board and management work on an ongoing basis to identify and manage material risks that impact the business activities of PA Resources from operational and financial perspectives. The most significant risks are described in the section Risks and risk management on page 28 and in Note 32.

Control activities and follow-up

Control activities involve all levels of the organisation. The activities limit identified risks and ensure correct and reliable financial reporting. The Group's central controller function analyses and follows up budget deviations, produces forecasts, follows up any material variations between periods and reports higher up in the organisation, thus minimising any risk for errors in the financial reporting.

Control activities also include follow-up and comparison of earnings trends or any individually significant items, reconciliation of accounts and balance statements as well as approval of all business transactions and collaboration agreements, instructions pertaining to powers of attorney or payment authorisation, and accounting and valuation policies.

The Group's central accounting function performs regular internal follow-ups of outcomes, deviations and forecasts together with the regional accounting managers, which also address current accounting and reporting issues. To ensure the efficiency and standardisation of accounting, reporting and consolidation processes, the company has implemented a joint consolidation and a shared accounting system for certain subsidiaries.

The joint venture agreements concluded by PA Resources within the framework of its business activities contain standardised conditions pertaining to audit right that provide PA Resources, as a partner in the licence, with the opportunity of performing an audit of the party that is the operator of the licence. The purpose of the audit is to ensure that reporting and accounting procedures are adhered to and expenses recognised pursuant to the joint-venture agreement.

Information and communication

The provision of information at all levels within the Group and with the external parties concerned is a key component of internal control. Relevant policies, guidelines and principles for accounting are made available to all employees affected, which should contribute to complete, correct and timely financial reporting. In addition, regular updates and messages are provided regarding changes in accounting policies as well as in requirements applying to reporting and the provision of information.

All subsidiaries and operative units submit regular financial reports and operational reports to the Group management and to the Group's central accounting function.

A communication policy is in place that describes how, by whom and in which manner external information is to be communicated to ensure that such external provision of information is correct, complete and that it complies with the requirements applicable to listed companies. On the company's website, www.paresources.se, financial reports, production reports, press releases, presentation material and various key ratios are published on a regular basis.

The need for internal auditing

PA Resources' organisation is decentralised, with 112 employees in the Group, of which 7 staff members were employed by the Parent Company, as per 31 December 2013. The Group has a clear division of responsibilities and built-in controls. As shown above, internal control and performance monitoring is carried out at many levels within the Group. The collective result of this is that a separate internal audit unit is not justified.

Major shareholders

Since the execution of the most recent rights issue, Gunvor Group holds shares in the company exceeding 10% of all outstanding shares and votes in the company. Gunvor Group's holding in the company amounted to ccount for 35.9% of the outstanding shares and votes as per 31 December 2013.

The Board of Directors

	Sven A. Olsson	Philippe R. Probst
Function	Chairman of the Board	Board member
Year of election	Chairman of the Board since May 2013	Board member since May 2013 and CEO from May until September 2013
Born	1943	1950
Education	Law degree from Lund University, Sweden	Geology degree from University of Bern, Switzerland
Main occupation	Runs his own law business in Helsingborg	Advisor to international oil companies, financial institutions, and investors in upstream, mainly in Africa and the Middle East
Other assignments	Board member for Liljedahl Group AB, IPP Ltd, Gunvor Group Ltd, Smedbo AB, Allard Support for a better life AB, Aller Media AB, Volga Sicav, Labrusca Family Office AB, Bädd & Bad AB, Scandstick AB, Bästa Bostaden i Helsingborg AB, Norrgavel Erik Richter AB, Rörvik Timber AB and Kyrkbyns Industri AB, as well as for subsidiaries of some of the mentioned parent companies	–
Previous experience	Lawyer and partner of the law firm Advokatfirman Vinge	Geologist with 35 years' experience of the international oil industry. Previous position as Head of New Ventures with the Swiss-based oil company Addax Petroleum and various management positions in Shell International Exploration & Production
Shareholding in PA Resources, 31 Dec 2013	–	–
Independent*	No	No
Presence – Board meetings during 2013	14/21 (elected at AGM in May 2013)	14/21 (elected at AGM in May 2013)
Presence – Remuneration Committee 2013	0/3**	-
Presence – Audit Committee 2013	2/4***	-
Annual fee for Board work including committee work	550,000 SEK	275,000 SEK

Philippe R. Ziegler	Nils Björkman	Paul Waern
Board member	Board member	Board member
May 2013	July 2013	May 2009
1957	1954	1950
M. Sc. in Economics, Belgium	MBA from the Stockholm School of Economics	MSc in Mining engineering, KTH Stockholm
MD for Captiva Corporate Finance S.A. in Geneva	Executive Vice President for Commercial Operations and Cluster Organisation within the Tetra Pak Group.	Drilling Supervisor for international oil companies I
Chairman of the Board of Danish transport company Leman International System Transport A/S and Chairman of the Board of the Swiss transport company Nauta S.A.	Chairman of the Board of an international trading company, SourceByNet Pte Ltd (SBN)	Board member in Selena Oil & Gas Holding AB, Örby Säteri, a family owned business
Extensive experience of international banking, with various management positions with BNP Paribas in Switzerland	Responsible for marketing and business development for an international management consulting company, thereafter a number of senior management positions with the Tetra Pak Group, such as MD for Tetra Pak in the UK and in Canada and President and CEO for Tetra Laval Food, Tetra Pak Europe & Africa and Tetra Pak Market Operations	30 years' international experience in oil and gas industry
-	Direct holding: 50,000	Direct holding: 100
Yes	Yes	Yes
14/21 (elected at AGM in May 2013)	8/21 (elected at general meeting in July 2013)	20/21
-	0/3**	0/3**
2/4***	-	2/4***
275,000 SEK	275,000 SEK	275,000 SEK

* All members except Philippe R. Probst, who earlier in 2013 was managing director of the company, are independent of the company and its management. All members except Sven A. Olsson, who is also a board member of the company's majority shareholder Gunvor Group Ltd, are independent in relation to the major shareholders (i.e. ownerships exceeding 10 %).

** Became a member of the remuneration committee after the general meeting on 5 July 2013 when the remuneration committee with the new board was formed. No formal meetings of the remuneration committee were held up until 31 December 2013, with remuneration issues instead handled and decided by the full board.

*** Became a member of the audit committee after the general meeting on 5 July 2013 when the audit committee with the new board was formed.

Group Management

	Mark McAllister	Tomas Hedström
Function	President and CEO	CFO
Year of employment	2013	2013
Born	1958	1960
Education	Petroleum Engineer and holds an MA in Engineering from Cambridge University	MSc Business and Economics from the University of Stockholm
Previous experience	Over 30 years' experience in the international oil and gas industry i.e. CEO and founder of Acorn Oil & Ga, CEO of Fairfield Energy until 2011. Previously Managing Director Europe & North Africa at LASMO plc.	CFO Rottneros AB, Senior Vice President Finance SCA, CFO SCA North America and other management positions in Finance and General Management within the SCA Group, PWC
Board assignments	-	-
Shareholding in PA Resources, 31 Dec 2013	-	Direct Holding: 16,000

	Graham Goffey	Paul Elstone
Function	Senior Vice President Exploration as well as Managing Director for regions West Africa and North Sea	Managing Director for region North Africa
Year of employment	2009	2012
Born	1964	1951
Education	MSc Petroleum Geology and MBA	Higher Technical Education HND
Previous experience	Senior exploration and general management positions at LASMO, Paladin Resources plc, Sterling Energy, etc	Senior operational positions at PA Resources Tunisia, BP (UK, USA, Trinidad, Egypt, Azerbaijan, Venezuela), NIOC (Iran) and Aramco (Saudi Arabia)
Board assignements	-	-
Shareholding in PA Resources, 31 Dec 2013	Direct holding: 11,568	-

Kevin McGrory	Slimane Bouabbane
General Counsel	VP Business Development
2014	2010
1960	1973
Bachelor of Laws (LLB), Post graduate Diploma in Legal Practice and Post graduate Diploma in Petroleum Law	MSc Offshore Engineering from Ecole Centrale Marseille, France & MBA from INSEAD
General Counsel at Severn Energy International Ltd, Partner, Head of Oil & Gas Law at Shepherd and Wedderburn LLP, General Manager, Legal & Commercial at Fairfield Energy, Group General Counsel at Delta Group and VP Legal & Negotiations EMEA at Anadarko	Some 20 years' experience in the international oil and gas industry including management positions in commercial and strategy with Acergy/ Subsea 7 (UK, Norway, France) and project/engineering positions with Intecsea/ Heerema (USA) & Technip Coflexip Stena (UK).
-	Board member in MacArtney A/S (Denmark)
-	-

Financial reports

5 year summary

		31 Dec. 2013***	31 Dec. 2012***	31 Dec 2011***	31 Dec. 2010	31 Dec. 2009
Revenue	SEK 000s	1,311,623	2,183,527	2,153,808	2,226,732	2,112,841
EBITDA	SEK 000s	-394,683	1,255,435	1,295,250	1,275,676	1,325,877
Operating result	SEK 000s	-1,134,882	-1,063,709	-1,526,609	490,424	429,601
Operating profit excluding one-off costs***	SEK 000s	337,635	683,965	508,057	490,424	429,601
Operating profit per share after dilution**	SEK	-20.05	-544.49	-1 019.93	400.43	573.57
Operating margin		-87%	-49%	-71%	22%	20%
Income after financial items per share after dilution**	SEK	-23.67	-851.27	-1254.00	146.38	423.96
Earnings per share after dilution**	SEK	-21.54	-1 006.22	-1 392.26	-258.33	17.21
Return on equity		neg	neg	neg	neg	0.29%
Return on assets		neg	neg	neg	5.13%	5.00%
Return on capital employed		neg	neg	neg	6.25%	6.55%
Equity per share before dilution**	SEK	15.86	95.48	1,881.59	3,210.41	5,164.15
Equity per share after dilution**	SEK	15.86	95.48	1,881.59	3,210.41	5,164.15
Profit margin		-102.2%	-76.2%	-87.1%	8.1%	15.0%
Equity/assets ratio		32.9%	24.7%	31.7%	44.1%	40.3%
Debt/equity ratio		99.8%	165.4%	141.4%	65.2%	89.0%
Share price at end of period*	SEK	8.95	55.10	584.08	2066.33	3287.77
Share price/equity per share before dilution*	Times	0.56	0.58	0.31	0.64	0.64
P/E multiple per share*	Times	-0.42	-0.05	-0.42	-8.00	191.03
Number of shares outstanding before dilution**	Number	113,167,992	16,654,695	1,496,773	1,496,771	811,961
Number of shares outstanding after dilution**	Number	113,167,992	16,654,695	1,496,773	1,496,771	811,961
Average number of shares outstanding before dilution**	Number	56,616,263	1,953,588	1,496,771	1,224,733	748,997
Average number of shares outstanding after dilution**	Number	56,616,263	1,953,588	1,496,771	1,224,733	748,997

* In connection with the completed reverse share split in 2013, the share price at the end of the period was adjusted retrospectively, which has affected the ratios Share price/Equity per share before dilution and P/ E multiple per share.

** The number of shares outstanding after dilution includes only shares that give rise to a dilutive effect. The rights issues and reverse share split carried out in 2013 gave rise to retrospective adjustments.

*** Figures for 2013 include one-off costs of SEK 1,472,517 thousand before tax and SEK 1,127,389 thousand after tax. Figures for 2012 include one-off costs of SEK 1,747,674 thousand before and after tax. Figures for 2011 include one-off costs of SEK 2,034,666 thousand before tax and SEK 1,758,077 thousand after tax. Shareholders' equity has been adjusted retrospectively, which has given rise to changed key ratios related to shareholders' equity. See note 2, Accounting principles etc.

Key ratio definitions

EBITDA is defined as operating profit excluding total depreciation and amortisation including impairment.

Operating profit is defined as operating revenue less operating expenses (including depreciation, amortisation and impairment).

Operating margin is defined as operating profit after depreciation and amortisation as a percentage of total revenue.

Earnings per share before/after dilution is defined as profit for the period in relation to the average number of shares outstanding before/after dilution.

Return on equity is defined as the average, moving 12-month profit after tax as a percentage of average adjusted equity.

Return on total capital is defined as the average, moving 12-month operating profit plus adjusted financial items as a percentage of average total assets.

Return on capital employed is defined as the average 12-month moving operating profit plus adjusted financial items as a percentage of average capital employed (total assets less noninterest-bearing liabilities including deferred tax liabilities).

Shareholders' equity per share before/after dilution is defined as the Group's reported equity in relation to the number of shares outstanding before/after dilution.

Profit margin is defined as profit after net financial items as a percentage of total revenue.

Equity/assets ratio is defined as the Group's reported equity as a percentage of total assets.

Debt/equity ratio is defined as the Group's interest-bearing liabilities less cash and cash equivalents in relation to adjusted equity.

P/E multiple per share is defined as the share price at the end of the period in relation to profit after tax, divided by the average number of shares outstanding before dilution.

Income statement

Group

SEK 000s	Notes	Jan.-Dec. 2013	Jan.-Dec. 2012
Revenue	4	1,311,623	2,183,527
Cost of sales	5,12	-628,600	-750,409
Decommissioning costs*		-468,828	0
Capital loss*		-461,755	0
Other external expenses	10,11,12	-84,589	-110,859
Personnel expenses	7, 8, 9	-62,534	-66,824
Depreciation, amortisation and impairment losses *	16,17,18	-740,199	-2,319,144
Operating profit	6	**-1,134,882**	**-1,063,709**
Financial income	13	110,890	5,503
Financial expenses	13	-316,046	-604,820
Total financial items		**-205,156**	**-599,317**
Profit before tax		**-1,340,038**	**-1,663,026**
Income tax	14	120,677	-302,719
Profit for the year *		**-1,219,361**	**-1,965,745**
Profit for the year attributable to:			
Owners of the parent		-1,219,361	-1,965,745
Earnings per share before dilution	15	**-21.54**	**-1,006.22**
Earnings per share after dilution	15	**-21.54**	**-1,006.22**

Earnings per share are attributable to owners of the parent.

* Figures for 2013 include one-off costs of SEK 1,472,517 thousand before and SEK 1,127,389 thousand after tax. Figures for 2012 include one-off costs of SEK 1,747,674 thousand before and after tax.

Statement of comprehensive income

Group

SEK 000s	Notes	Jan.-Dec. 2013	Jan.-Dec. 2012
Profit for the year		**-1,219,361**	**-1,965,745**
Other comprehensive income			
Items that may be reclassified into profit or loss			
Exchange differences during the year		10,884	-228,690
Total other comprehensive income		**10,884**	**-228,690**
Total comprehensive income		**-1,208,477**	**-2,194,435**

Total comprehensive income is attributable to the owners of the parent.

Statement of financial position

Group

SEK 000s	Notes	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
Exploration and evaluation assets	16,18	3,650,452	3,398,281
Oil and gas properties	16,18	894,370	2,125,970
Machinery and equipment	17	3,721	4,381
Financial assets	26	346	1,055
Deferred tax assets	14	50,000	103,412
Total non-current assets		**4,598,889**	**5,633,099**
Current assets			
Inventory	19	11,910	30,871
Accounts receivable and other receivables	20	440,364	713,919
Current tax assets	14	6,347	3,076
Cash and cash equivalents	21	402,513	57,631
Total current assets		**861,134**	**805,497**
TOTAL ASSETS		**5,460,023**	**6,438,596**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent	22		
Share capital		1,414,600	709,325
Other capital contributions		5,050,009	4,341,929
Reserves		-1,077,760	-1,088,644
Retained earnings and profit for the year		-3,591,714	-2,372,353
Total equity		**1,795,135**	**1,590,257**
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	23	1,433,304	399,832
Deferred tax liabilities	14	343,187	700,870
Provisions	24	249,858	633,948
Total non-current liabilities		**2,026,349**	**1,734,650**
Current liabilities			
Provisions	24	2,057	0
Current tax liabilities	14	158,997	252,172
Current interest-bearing loans and borrowings	23	760,989	2,287,978
Accounts payable and other liabilities	25	716,496	573,539
Total current liabilities		**1,638,539**	**3,113,689**
TOTAL EQUITY AND LIABILITIES		**5,460,023**	**6,438,596**
PLEDGED ASSETS	28	**468,691**	**436,847**
CONTINGENT LIABILITIES	28	**14,000**	**14,000**

Statement of changes in equity

Group

		Equity attributable to owners of the parent				
SEK 000s	**Notes**	**Share capital**	**Other capital contribution**	**Reserves**	**Retained earnings and profit for the year**	**Total**
Balance at 1 January 2012		318,738	3,764,144	-851,465	38,130	3,269,547
Adjustment of opening balance*				-8,489	-444,738	-453,227
Adjusted balance at 1 January 2012		318,738	3,764,144	-859,954	-406,608	2,816,320
Total comprehensive income for the period				-228,690	-1,965,745	-2,194,435
Transactions with shareholders						
Redemption convertible shares	22,23	1	5			6
Reduction share capital		-254,991	254,991			0
Set-off issue		645,577	322,789			968,366
Closing balance at 31 December 2012		**709,325**	**4,341,929**	**-1,088,644**	**-2,372,353**	**1,590,257**
Balance at 1 January 2013		709,325	4,341,929	-1,088,644	-2,372,353	1,590,257
Total comprehensive income for the period				10,884	-1,219,361	-1,208,477
Transactions with shareholders						
Rights issues	22	1,596,473	-183,118			1,413,355
Reduction share capital		-1,117,534	1,117,534			0
Stock dividend		226,336	-226,336			0
Closing balance at 31 December 2013		**1,414,600**	**5,050,009**	**-1,077,760**	**-3,591,714**	**1,795,135**

* Adjustment of opening balance pertains to retrospective adjustments related to previously unreported deferred tax liabilities in Tunisia. For further information, see note 2, Accounting principles etc.

The share capital as per 31 December 2013 was distributed among 113,167,992 shares with a share quota value of SEK 12.50. No dividend was decided on for the 2012 financial year or previous financial years. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2013 financial year. Reserves pertain to effects from translation of operations in foreign currency.

Statement of cash flow

Group

SEK 000s	Notes	Jan.-Dec. 2013	Jan.-Dec. 2012
Cash flow from operating activities			
Income after financial items *		-1,340,038	-1,663,026
Adjustments for non-cash items		1,709,553	2,540,015
Income tax paid		-152,401	-5,134
Total cash flow from operating activities before changes in working capital		**217,114**	**871,855**
Cash flow from changes in working capital			
Change in inventory		0	367
Change in receivables		-167,479	296,369
Change in liabilities		-428,545	-330,311
Cash flow from operating activities		**-378,910**	**838,280**
Cash flow from investing activities			
Investments in exploration and evaluation assets	16	-163,463	-48,157
Investments in oil and gas properties	16	-105,378	-206,785
Investments in machinery and equipment	17	-2,240	-75
Cash flow from investing activities		**-271,081**	**-255,017**
Cash flow from financing activities			
New share issue		1,413,355	0
Loans raised		763,743	196,151
Amortisation of debt		-1,182,418	-764,320
Cash flow from financing activities		**994,680**	**-568,169**
Cash flow for the year		**344,689**	**15,094**
Cash and cash equivalents at the beginning of year	21	57,631	44,465
Exchange rate difference in cash and cash equivalents		193	-1,928
Cash and cash equivalents at end of year	21	**402,513**	**57,631**
Adjustments for non-cash items			
Depreciation, amortisation and impairment losses	16,17,18	740,199	2,319,144
Capital loss		461,755	0
Decommissioning costs		468,828	0
Valuation oil sales		-12,494	-154,080
Other items including accrued interest and exchange differences (net)		51,265	374,951
Total		**1,709,553**	**2,540,015**

* The amount includes interest received at SEK 4,900 thousand (10,693), of which SEK 0 thousand (36) is attributable to current operations, and SEK 4,900 thousand (10,657) to financing activities and interest paid at SEK 203,010 thousand (401, 940), of which SEK 0 (32) thousand is attributable to current operations and SEK 203,010 thousand (401,908) to financing activities.

Income statement

Parent company

SEK 000s	Notes	Jan.-Dec. 2013	Jan.-Dec. 2012
Net sales	4	32,411	28,128
Other external expenses	10.11,12	-36,794	-32,493
Personnel expenses	7, 8, 9	-20,673	-19,978
Depreciation, amortisation and impairment losses	16, 17	-97,271	-95
Operating profit	6	**-122,327**	**-24,438**
Result from participations in Group companies	30	-2,234,047	-36,023
Financial income and similar	13	236,991	101,783
Financial expenses and similar	13	-336,419	-868,941
Total financial items		**-2,333,475**	**-803,181**
Profit before tax		**-2,455,802**	**-827,619**
Income tax	14	-103,475	136,293
Profit for the year		**-2,559,277**	**-691,326**

Statement of comprehensive income

Parent company

SEK 000s	Notes	Jan.-Dec. 2013	Jan.-Dec. 2012
Profit for the year		**-2,559,277**	**-691,326**
Other comprehensive income			
Total items that may be reclassified into profit or loss		0	0
Total other comprehensive income		**0**	**0**
Total comprehensive income		**-2,559,277**	**-691,326**

Balance sheet

Parent company

SEK 000s	Notes	31 Dec. 2013	31 Dec. 2012
ASSETS			
Exploration and evaluation assets	16	0	91,543
Machinery and equipment	17	0	6
Financial assets			
Shares in subsidiaries	27	1,373,993	2,190,823
Receivables Group companies	26	3,065,841	3,930,357
Other longterm receivables	26	502,123	103,412
Total non-current assets		**4,941,957**	**6,316,141**
Current tax assets		984	984
Other receivables	20	153,538	2,048
Prepaid expenses and accrued income	20	8,239	113,423
Cash and cash equivalents	21	363,434	16,134
Total current assets		**526,195**	**132,589**
TOTAL ASSETS		**5,468,152**	**6,448,730**
SHAREHOLDERS´ EQUITY	22		
Restricted equity			
Share capital		1,414,600	709,325
Statutory reserve		985,063	985,063
Total restricted equity		**2,399,663**	**1,694,388**
Non-restricted equity			
Share premium reserve		2,888,392	3,071,510
Profit/loss brought forward and result for the year		-3,758,054	-2,089,877
Total non-restricted equity		**-869,662**	**981,633**
Total shareholders´ equity		**1,530,001**	**2,676,021**
LIABILITIES			
Liabilities Group companies	26	1,881,930	1,334,712
Interest-bearing loans and borrowings	23	1,433,304	350,965
Total non-current liabilities		**3,315,234**	**1,685,677**
Accounts payable	25	3,046	3,030
Other liabilities	25	373	376
Deferred tax liability	14	63	0
Current interest-bearing loans and borrowings	23	535,999	1,936,110
Accrued expenses and prepaid income	25	83,436	147,516
Total current liabilities		**622,917**	**2,087,032**
TOTAL SHAREHOLDERS´ EQUITY AND LIABILITIES		**5,468,152**	**6,448,730**
PLEDGED ASSETS	28	**18,088**	**18,088**
CONTINGENT LIABILITIES	28	**14,000**	**14,000**

Statement of changes in equity

Parent company

SEK 000s	Notes	Restricted equity		Non-restricted equity			
		Share capital	Statutory reserve	Other capital contribution	Retained earnings	Profit for the year	Total equity
Balance at 1 January 2012		318,738	985,063	2,748,716	-201,586	-1,451,956	2,398,975
Transfer of previous year´s result					-1,451,956	1,451,956	0
Total comprehensive income						-691,326	-691,326
Transactions with shareholders							
Redemption convertible shares	22,23	1		5			6
Reduction share capital		-254,991			254,991		0
Set-off issue		645,577		322,789			968,366
Closing balance at 31 December 2012		**709,325**	**985,063**	**3,071,510**	**-1,398,551**	**-691,326**	**2,676,021**
Balance at 1 January 2013		709,325	985,063	3,071,510	-1,398,551	-691,326	2,676,021
Transfer of previous year´s result					-691,326	691,326	0
Total comprehensive income						-2,559,277	-2,559,277
Merger result					-98		-98
Transactions with shareholders							
Rights issues		1,596,473		-183,118			1,413,355
Reduction share capital		-1,117,534			1,117,534		0
Stock dividend		226,336			-226,336		0
Closing balance at 31 December 2013		**1,414,600**	**985,063**	**2,888,392**	**-1,198,777**	**-2,559,277**	**1,530,001**

Statement of cash flow

Parent company

SEK 000s	Notes	Jan.-Dec. 2013	Jan.-Dec. 2012
Cash flow from operating activities			
Income after financial items*		-2,455,802	-827,619
Adjustments for non-cash items		2,221,052	616,611
Income tax paid		0	0
Total cash flow from operating activities before change in working capital		**-234,750**	**-211,008**
Cash flow from changes in working capital			
Change in receivables		13,951	-10,494
Change in liabilities		-28,312	-175,097
Cash flow from operating activities		**-249,111**	**-396,599**
Cash flow from investing activities			
Loans given to subsidiaries		-565,981	0
Merger subsidiaries	6	54	0
Investments in exploration and evaluation assets	16	-5,723	-3,461
Cash flow from investing activities		**-571,650**	**-3,461**
Cash flow from financing activities			
Loans raised from subsidiaries		0	303,322
New share issue		1,413,355	0
Loans raised		728,320	91,586
Amortisation of debt		-973,614	0
Cash flow from financing activities		**1,168,061**	**394,908**
Cash flow for the year		**347,300**	**-5,152**
Cash and cash equivalents at the beginning of year	21	16,134	21,286
Cash and cash equivalents at the end of year	21	**363,434**	**16,134**
Adjustments for non-cash items			
Depreciation, amortisation and write-downs	16,17,18	97,271	95
Impaiment losses participations in Group companies	30	1,142,100	0
Impaiment losses Intercompany receivables	30	1,384,825	1,931,364
Dividend recieved		-292,878	-1,895,341
Accounting fair value of financial instruments		0	125,394
Other items including accrued interests and exchange gains and losses (net)		-110,266	455,099
Total		**2,221,052**	**616,611**

* The amount includes interest received at SEK 4,457 thousand (997), of which SEK 0 thousand (36) is attributable to current operations, and SEK 4,457 thousand (961) to financing activities and interest paid at SEK 184,921 thousand (348,882), of which SEK 0 (32) thousand is attributable to current operations and SEK 184,921 thousand (348,850) to financing activities.

Content notes

Notes

Note 1 Company information

The Parent company PA Resources AB (publ) is a Swedish limited company domiciled in Stockholm (corporate identity number 556488-2180). The Group's business consists of the acquisition, development and production of oil and gas reserves as well as exploration to find new reserves. The Parent company's functional currency, and the currency in which the accounts are presented, is Swedish kronor (SEK). This annual report and the consolidated accounts of PA Resources AB (publ) for the year ending 31 December 2013 were approved for publication by the Board of Directors on 20 March 2014 and will be submitted for adoption at the Annual General Meeting on 16 April 2014.

Note 2 Accounting principles etc

Note 2.1 Description of significant accounting principles
The sections within this Annual Report which are classified as formal financial reports according to IFRS are:

- the consolidated Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows
- the Parent company's Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Statement of Cash Flows
- the notes to the financial reports

Basis for preparation of the financial statements
The consolidated financial statements are based on historical acquisition costs except in the case of financial instruments, which are reported at fair value and outstanding Group crude oil inventories which are given a market value at the balance sheet date and recognised as if the inventories had been sold. Unless otherwise indicated, all amounts are reported in thousands of Swedish kronor (SEK thousand).

Statement of conformity with regulations applied
The consolidated financial statements and the financial statements for the Parent company have been prepared in accordance with International Financial Reporting Standards (IFRS) including interpretation statements issued by the International Financial Reporting Interpretations Committee (IFRIC) and in accordance with Swedish laws. Since the Parent company is a company within the EU, only IFRS adopted by the EU are applied. In addition, the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for the Group have been applied. The financial statements for the Parent company have been prepared applying recommendation RFR 2, Accounting for Legal Entities, statements from the Swedish Financial Reporting Board and the Annual Accounts Act.

Consolidated financial statements

Basis of consolidation:
The consolidated financial statements encompass the Parent company and its subsidiaries. The financial reports for the Parent company and the subsidiaries included in the consolidated financial statements cover the same period and have been prepared in accordance with the same accounting principles as applied for the Group.

All intra-group transactions and accounts, as well as gains and losses on transactions between Group companies are eliminated entirely.

A subsidiary or its assets and liabilities are included in the consolidated financial statements from the acquisition date, which is the day a controlling influence in the subsidiary arises, and are included in the consolidated financial statements until the day the controlling influence ceases. Controlling influence means the right to formulate the subsidiary's operational and financial strategies with a view to obtaining financial benefits.

Acquisitions of operations are reported in the consolidated financial statements using the purchase method of accounting. The purchase method of accounting means, among other things, that the acquisition cost of the shares is distributed to the assets, commitments taken over and liabilities acquired at the acquisition date based on their fair values at the time. If the acquisition cost exceeds the fair value of the acquired company's net assets, the excess value is first allocated to acquired oil and gas properties and thereafter, any difference is recognised as goodwill. If the acquisition cost is lower than the fair value of the acquired company's net assets, the difference is reported directly in the income statement.

Restatement of opening balance for comparative period 2012
In connection with the process of farming out ownership interests in the Zarat licence, PA Resources conducted an analysis of the Tunisian tax situation. This resulted in an adjustment of previously unreported deferred tax liabilities pertaining to periods before 2011 by a total of SEK -444,738 thousand, which was reported directly against shareholders' equity for the period in 2011. The periods thereafter have been adjusted within other comprehensive income, with respect to exchange differences, as the underlying deferred tax liabilities are booked in USD. Thus the Group's income statement has not been affected by this adjustment.

Nor has the statement of cash flows been affected by these retrospective adjustments, since they pertain in their entirety to unrealised changes in value.

Segment reporting
The Group is organised and managed by geographical regions which correspond with the reportable operating segments that are followed up internally at operational level. The geographically organised operating segments include all reporting units in their respective regions, excluding the exceptions described in Note 6 Segment information. Segment information is presented from a management perspective, which means that the information is presented in the same way as it is used in internal reporting, in accordance with the principles applied by the company's chief operating decision maker (CODM) in its operational governance, internal reporting and follow up. The Group has identified the Group management as the CODM in this context. Reportable operating segments are lines of business or combined lines of business that fulfil certain specific criteria.

The starting point for identification of reportable operating segments is internal reporting as made to and monitored by the CODM. The segments reported follow the same accounting policies as the Group in their reporting.

Translation of foreign currency

Functional currency and reporting currency
The functional currency of each unit within the Group is determined by reference to the economic environment in which the units carry on their respective operations. Monetary receivables and liabilities in each subsidiary that are expressed in foreign currencies are translated into the functional currency at the exchange rate in force on the balance sheet date. All translation differences are reported in the income statement. The Group continuously analyses circumstances that could indicate a change in the functional currency from local currency to USD in the Group's subsidiaries.

Translation of foreign operations
The consolidated financial statements of PA Resources are presented in Swedish kronor (SEK), which is the Parent company's functional and reporting currency.

Assets and liabilities in other functional currencies are translated into SEK at the exchange rate effective on the balance sheet date. Income statements are translated at the average exchange rate for the year. Translation differences arising on the translation of foreign operations are reported directly against equity in the statement of comprehensive income.

Exchange rates

The following exchange rates were used in the preparation of the financial statements:

	Closing day rate 31 Dec. 2013	Average rate Jan.-Dec. 2013
1 EUR in SEK	8.94	8.65
1 USD in SEK	6.51	6.51
1 TND in SEK	3.94	4.01
1 NOK in SEK	1.06	1.11
1 GBP in SEK	10.73	10.19
1 DKK in SEK	1.20	1.16

	Closing day rate 31 Dec. 2012	Average rate Jan.-Dec. 2012
1 EUR in SEK	8.62	8.71
1 USD in SEK	6.52	6.78
1 TND in SEK	4.20	4.34
1 NOK in SEK	1.17	1.16
1 GBP in SEK	10.49	10.73
1 DKK in SEK	1.16	1.17

Revenue recognition

Group revenue primarily refers to revenue from sales of oil. Revenue is based on sales which are primarily managed by yearly contracts signed with a small number of major international oil and gas companies in which oil sold is priced at the applicable world market price less any discounts and plus any premiums due to the quality of the oil and gas equivalents. Pricing occurs during a predetermined time period prior to and following the day on which physical delivery is made from vendor to vendee. PA Resources recognizes revenue based on the working-interest share of a field's total number of barrels of oil produced. This means that PA Resources always recognizes revenue corresponding to reported production for the period before deductions for taxes, such as royalties and Tax Oil. Revenue is recognized in the period production occurs, which means that any under- overlift position is recognized as sold. Interest income is recognized in accordance with the effective rate method and primarily refers to interest income from cash and cash equivalents and receivables. The majority of the Parent company's revenue is made up of sales of services to other companies within the Group.

Royalties

Current license terms for some producing oil fields require royalties to be paid. The Group pays the royalty either in kind through the supply of oil or by paying a monetary royalty. Royalties are reported gross in the income statement, where total revenue includes produced royalty oil and the corresponding royalty expense is included in the income statement item Cost of sales.

Remunerations to employees, Board of Directors and senior executives

Short-term remunerations

Salaries, other remuneration and benefits as well as social security contributions are reported as personnel expenses in the income statement when they arise.

Post-employment remunerations

Pension costs for defined-contribution plans are reported as personnel expenses in the income statement. The personnel, including senior executives, have defined contribution pension schemes under which the company makes fixed monthly payments to external life insurance companies during the period of employment. The pension schemes are plans for remuneration at an agreed retirement age. PA Resources has no legal or informal duty to pay further charges if at the time payment is due to be made the external life insurance company does not have sufficient assets to pay all employees the benefits relating to premiums paid and the period of this. The schemes therefore provide entitlement to payments which primarily depend on the outcome of the life insurance companies' administration of the funds. Monthly payments to the life insurance companies are made up until the date agreed in the pension schemes. More information regarding the expenses during the financial year is provided in Note 7, Employees, salaries and other remuneration.

Recognition of exploration and evaluation assets as well as oil and gas properties

Expenditures for exploration and evaluation of oil and gas properties are reported according to the Full Cost Method. All costs attributable to exploration, drilling and evaluation of such interests are capitalised in full. The expenditures are accumulated separately for each licence right and the capitalisation of exploration and evaluation assets, or alternatively oil and gas properties depends on the development phase that has been reached.

The balance sheet item exploration and evaluation assets refers to acquired licence/concession rights and other capitalised exploration and evaluation expenditure.

When PA Resources appraises and assesses an exploration permit as profitable a plan for development is applied for. On receiving the plan for development, the asset is reclassified under oil and gas properties and, in conjunction with reclassification, the assets are tested for any possible need for impairment, for the purpose of ascertaining their value. If the asset is relinquished to the government authorities or is assessed as unprofitable, the asset is expensed by PA Resources through recognition as an impairment loss in profit or loss.

The balance sheet item, oil and gas properties, refers both to reclassified exploration and evaluation assets as well as capitalised development expenses. Depreciation commences for the actual asset in conjunction with the start of production. Assets are regularly tested for any possible need for impairment and where a need is identified, the asset is expensed through recognition as an impairment loss in profit or loss.

Farm-out accounting

Farm-outs are accounted for in accordance with the principles of IFRS 6 with respect to exploration and evaluation assets. PA Resources recognises cash payments received directly against the asset and retains the recorded portion of the asset less any cash received. This entails that no revenue is recognised in connection with the farm-out unless the cash received exceeds the book value of the farmed out asset. No entries at the transaction date are made regarding any future payments. In case where a farm-out pertains to PA Resources' oil and gas assets, accounting is performed in accordance with IAS 16. Accordingly, PA Resources derecognises the carrying amount of the asset attributable to the proportion farmed out and recognises any future payments on the balance sheet. After recording any cash received as part of the transaction, a gain or loss is recognised in the income statement. After the completed transaction, PA Resources tests its cash generating units for impairment. Impairment losses are charged to the income statement.

Depreciation/amortisation

Depreciation/amortisation of oil and gas properties commences in conjunction with the start of production and are calculated using the Unit of Production Method and are depreciated in line with the year's production in relation to the estimated total proven and probable reserves of oil and gas. Technical installations and equipment are linear depreciated over the assets' expected useful life. The estimated useful life is ten years for technical installations and five years for equipment.

Recognition of machinery and equipment

Machinery and equipment is valued at cost after a deduction for accumulated depreciation and any impairment losses. Linear depreciation is applied over the assets' expected useful life. The estimated useful life for machinery and equipment is 3–5 years.

Impairment losses

PA Resources regularly assesses its exploration and evaluation assets as well as its oil and gas properties for any need for impairment. This is performed in conjunction with each balance sheet date or if there are events or changes in circumstances that indicate that carrying values of assets may not be recoverable.

Such indicators include changes in the Group's business plans, relinquished licences, changes in raw materials prices leading to lower revenues and, for oil and gas properties, downward revisions of estimated reserve quantities.

Testing for impairment losses is performed for each cash generating unit, which corresponds to licence right, production sharing agreement or equivalent owned by PA Resources. A cash generating unit thus usually corresponds to each acquired asset in each country in which PA Resources carries on exploration and development operations. Impairment testing means that the balance sheet item amount for each cash generating unit is compared to the recoverable amount for the assets, which is the higher of the fair value of the assets less sales expenses and the value in use. The value in use of the assets is based on the present value of future cash flows discounted by weighted average cost of capital (WACC); see also Note 18 Impairment testing exploration and evaluation assets and oil and gas properties. An impairment loss is recorded when an asset's or a cash generating unit's recorded value exceeds the value in use. Impairment losses are charged to the income statement.

Reversal of impairment losses

At least once every year an assessment is made as to whether there are any indications that impairment losses reported previously are no longer justified or have reduced in extent. If such indications exist, a new calculation of the recoverable amount is made. A previously recognised impairment loss is reversed only to the extent that the asset's reported value after reversal does not exceed the reported value the asset would have had if the impairment loss had never been recognised.

If this is the case, the book value of the asset is increased to its recoverable amount. After a reversal the depreciation charge is adjusted in future periods to distribute the asset's revised book value over its expected remaining useful life.

Inventory

Outstanding inventory consist of other supplies and materials and is valued at the lower of cost and net realizable value. When assessing obsolescence of inventory items, consideration is given to the age of the inventory, the material and the rate of turnover. Any impairment of the inventory affects operating profit.

Under- or overlift positions of hydrocarbons

PA Resources' under- or overlift position of hydrocarbons is reported as if they had been sold at the balance sheet date. Valuation is performed either based on the Brent spot price at the respective balance sheet date taking any discounts or premiums into consideration, or according to the prevailing contract price. An underlift position is included in Accounts receivable and other receivables, while an overlift position is included in Accounts payable and other liabilities. A change in the under- or overlift position is reflected in the income statement as Revenue.

Financial instruments

PA Resources' financial instrument assets comprise accounts receivable and other receivables, other financial non-current assets and cash and cash equivalents.

The assets can, on occasion, also comprise derivatives for which hedging has been performed by the Group with respect to matching the interest-bearing liability to the corresponding asset's currency risk. Financial instrument liabilities comprise interest-bearing loans and borrowings and the short-term portion thereof, derivatives, for which hedging has been performed, as well as accounts payable and other liabilities.

Recognition and derecognition in the balance sheet

PA Resources reports a financial asset or a financial liability in the balance sheet when the company becomes a party to the instrument's contractual terms. The company derecognises a financial liability or part thereof when the obligation stated in the relevant contract is fulfilled or otherwise terminated.

PA Resources currently reports all its financial instruments gross, but net reporting is possible where there is a legal right of offset. Recognition and Derecognition in the balance sheet are reported on the transaction date, which is the day on which PA Resources undertakes to acquire or sell the financial instrument in question.

Classification by means of measurement

Initial measurement

PA Resources initially recognises its financial instruments at fair value plus a supplement for directly attributable transaction expenses, usually the transaction price. This principle is applied to all financial instruments apart from those in the category financial assets or liabilities carried at fair value through profit or loss, which are recognised at fair value excluding transaction expenses. At PA Resources, this category comprises only derivatives.

PA Resources classifies its financial instruments in the following categories based on the purpose for which the instrument was acquired. This classification generally forms a basis for how the financial instrument is measured after it is first reported. On each closing date the company tests all its financial assets for impairment, apart from those in the category financial assets or liabilities carried at fair value through profit or loss.

In the Parent company the same measurement principles are applied, subject to the restrictions contained in Chapter 4 § 14 of the Swedish Annual Accounts Act; at present these restrictions result in no differences between the Parent company and the Group.

After initial recognition, the company's financial instruments are reported as described below.

Subsequent measurement

Financial assets measured at fair value through profit or loss

In this category PA Resources classifies derivatives with a positive fair value as a separate subcategory. These are continually measured at fair value with changes in value through profit or loss. At present PA Resources has no hedging instruments that are identified as effective, and instead reports all its positive derivatives in this subcategory. PA Resources held no assets or liabilities under this category at year-end or at the end of the preceding year.

Loans and receivables

PA Resources classifies mainly receivables generated by the company in its operations in this category, but acquired receivables can also be included. At present it contains deposits for leased drilling equipment, accounts receivable, receivables from partners, accrued interest income, accrued income from oil inventories and cash and cash equivalents. These are measured at amortised cost, using the effective interest method established at the time of acquisition.

Where accounts receivable are concerned, provision for impairment is made if there is objective evidence that the Group will not receive the amount due according to the original terms of the receivables. Impairment of accounts receivable is reported in the operating result.

Available-for-sale financial assets

PA Resources sees this category as a residual category containing long-term assets not classified in any other category. For the current year, as well as for the comparative period, there are no assets in this category.

The assets are measured at fair value directly through other comprehensive income, except where impairment is applied. No impairment was applied during the year and any change in value is recognised in other comprehensive income.

Financial liabilities measured at fair value through profit or loss

In this category PA Resources classifies derivatives with a negative fair value as a separate subcategory. These are continually measured at fair value with changes in value through profit or loss. At present PA Resources has no hedging instruments that are identified as effective, and instead reports all its negative derivatives in this subcategory. PA Resources held no assets or liabilities under this category at year-end or at the end of the preceding year.

Other financial liabilities

In this category PA Resources includes Interest-bearing loans and borrowings, which are measured at amortised cost using the effective interest method which is the category's main assessment method. Within this category, secured loans can be measured at fair value. However, at present there are no loans that are secured. The company also places in this category accounts payable, the short-term portion of interest-bearing loans and borrowings as well as other financial liabilities such as liabilities to partners as well as accrued interest expenses and accrued exploitation and drilling expenses.

Compound financial instruments
A compound financial instrument contains both a liability component and an equity component, which are each classified separately. PA Resources reports its convertible debentures in this way, with the liability component reported under Interest-bearing loans and borrowings within the category Other financial liabilities.

Measurement of fair value
PA Resources bases the fair value of financial instruments depending on available market data at time of valuation. Data are categorised into three categories; Level 1: quoted prices in active markets. Level 2: valuation based on observable market data. Level 3: valuation techniques incorporating information other than observable market data. The reported value – after any impairment – of accounts receivable and accounts payable is assumed to equate to their fair value, since these entries are short-term in nature.

Embedded derivatives
An embedded derivative is a contract with derivative-like properties, but which forms part of another contract. An embedded derivative is to be distinguished from the host contract and recognised as a separate derivative where the economic properties and risks are not closely related to those of the host contract. PA Resources holds embedded derivatives in its bond loans, known as call options, which means that the company can call for early redemption at a value in excess of the nominal amount. However, these are considered to be closely related, and as a result they are not reported separately.

Borrowing costs
Borrowing costs are capitalised when these refer to the purchase, construction or production of assets which necessarily take considerable time to complete for their intended use or sale. Capitalisation only takes place if it is assessed that this will involve probable economic advantage. Interest on loans referring to the acquisition and development of oil and gas properties, for which the borrowing costs can be included in the acquisition value, is capitalised during the period of time necessary to finalise the work and complete the asset for its intended use. Capitalisation of interest expenditures is begun when an acquisition is made and when investment and development costs arise, either in the oil and gas properties where the Group is operator or as allocated through invoices from operators of oil and gas properties in which the Group is a partner. The interest is capitalized throughout the development phase until the asset is finally ready to start production.

Other loan expenses are distributed over the terms of the loans using the effective interest method.

Provisions
Provisions are reported in the balance sheet where there is a formal or informal commitment as a result of an event that has occurred and it is likely that an outflow of resources will be required in order to settle the commitment and the amount can be reliable estimated. The amount is discounted to present value in those cases where the time effect in each provision is significant.

In some oil fields, where the Group has an obligation to contribute to, for example restoration of the environment, dismantling, removal, clean-up and similar actions around the drilling sites both onshore and offshore, provisions are reported based on the present values of the expenses expected to be required to discharge the obligations, using estimated cash flows. The discount rate used considers the time value of money and the risk specifically attributable to the provision, as assessed by the market. Provisions for asset retirement obligations are revised on a continual basis depending on future changes in estimated cash flows, the discount rate and risks attributable to the provision. An obligation arises either at the time when an oil field is acquired or when the Group starts to utilise these and as a counterpart to the provision an asset is recorded as one part of the Group's total oil and gas properties. The asset is depreciated over the life of the oil field based on the oil field's production.

Income tax
Income tax consists of current tax and deferred tax. Income taxes are recorded in the income statement when they refer to income statement items. Income taxes referring to items in other comprehensive income are recorded in total other comprehensive income and recorded directly against equity when the underlying transaction is recorded directly against equity.

Current tax
Current tax is tax that is to be paid or received for the current year, applying the tax rates and the tax legislation used and in force on the balance sheet date.

This includes adjustment of current tax attributable to previous periods. Current tax receivables and liabilities for current and prior periods are valued at the amount expected to be recovered from or paid to the tax authorities. Taxes on oil production are paid in accordance with local legal and fiscal terms in each country and these terms can vary within each country depending on which oil field they relate to. The tax is calculated on taxable profit for each individual oil field at the current local tax rates. Current tax receivables and liabilities attributable to each company are reported net in the balance sheet. Under the valid licence terms of certain producing oil fields, tax must be paid in the form of tax oil. The Group pays tax oil in kind through the delivery of oil. Payment of tax oil is recognised gross in the income statement where total revenue includes the number of barrels of tax oil produced and a corresponding expense is recognized in the income statement item Income tax.

Deferred tax
Deferred tax is calculated based on temporary differences between the fiscal and book values of assets and liabilities. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will exist against which the deductible temporary differences and the carry-forward of unused tax losses can be utilised. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not recognised.

The recorded values of deferred tax assets are tested as of each balance sheet date and reduced if there is no longer a probability that there will be sufficient taxable profit to utilise the deferred tax assets against.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or exist in practice at the balance sheet date. Deferred tax assets and liabilities are reported net in the balance sheet provided that the tax payment will be made at the net amount.

Leasing as lessee
The Group's lease agreements where all risks and benefits associated with the ownership do not accrue to the Group are classified as operating leases. The Group has only assets that are reported as operating leases. Lease payments are recorded as costs in the income statement and are distributed linearly over the term of the agreement. See Note 12 Leasing.

Cash flow statement
The cash flow statement shows cash receipts and cash payments and the indirect method has been used. In addition to cash and bank balances, short-term deposits with an original term of less than three months are classified as cash and cash equivalents, exposed to insignificant in fluctuations in value.

Contingent liabilities
A contingent liability is recognised when there is a possible obligation relating to past events, the existence of which is confirmed only by the occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the enterprise, or when there is an obligation which is not recognised as a liability or a provision because it is unlikely that an outflow of resources will be required to settle the obligation.

Parent company's accounting principles
The Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, was applied in the preparation of the Parent company's financial statements. With the exception of those cases stated below, the Parent company applies the same accounting principles as the Group. In the Parent company, shares in subsidiaries are reported at acquisition value with a deduction for possible impairment losses. Also

in the Parent company, shareholders' contributions to subsidiaries are recorded as an increase in the value of the shares in the subsidiary on the grounds of increased value within the subsidiary.

These shareholders' contributions are eliminated against the subsidiaries' equity in the consolidated financial statements.

Note 2.2 Changes in accounting principles and disclosures

The same accounting principles have been applied in this Annual Report as in the Annual Report for the financial year 2012. During the year the Group did not apply in advance any new or amended standards and interpretations from IFRIC adopted by the EU. The new and amended standards and statements that were adopted by the EU, and which entered force in 2013, were taken into consideration.

Note 2.3 Standards, amendments and interpretations that were adopted by the EU and which entered force in 2013.

Only those standards, amendments and interpretations that were adopted by the EU and which entered force during the year that are assessed as relevant for and which have been taken into consideration by PA Resources are commented on below.

IFRS 13 Fair Value Measurement

The standard shall be applied for financial years that started on 1 January 2013 or later.

The standard addresses the concept of fair value and requires new disclosures in the Annual Report and interim reports.

IFRS 13 describes how fair value is to be measured and requires new disclosures about fair value measurement aimed at clarification of the valuation techniques used, the inputs used in the models and the effects arising from these valuations in the income statement.

The Group has applied the standard prospectively which has resulted in increased disclosures requirements.

IAS 1 Presentation of Financial Statements – amendment: Presentation of Other Comprehensive Income

The amendment, which was adopted by the EU on 5 June 2012, is to be applied for financial years that start on 1 July 2012 or later and entails a change in the grouping of transactions that are reported under other comprehensive income.

Separate presentation is required for items that are to be reclassified subsequently to profit or loss from those items that are not reclassified. Accordingly, the amendment applies only to the prsentation format.

The Group has applied the amendment retrospectively which has resulted in a changed presentation in the Statement of Comprehensive Income.

Annual Improvements to IFRSs 2009-2011

The amendments adopted by the EU on 27 March 2013 are to be applied for financial years that started on 1 January 2013 or later, entailing minor changes and clarifications of five standards, including IAS 1 Presentation of Financial Statements. These clarifications pertain to determination of which additional information is required if more than one comparative period is reported in the financial statements or if an adjusted opening statement of financial position for the comparative period is presented.

Note 2.3.1 Standards, amendments and interpretations which have not yet entered into force and have not been applied prospectively by the Group, but which have been adopted by the EU.

The comments below pertain only to the standards, amendments and interpretations that have not yet entered into force, but which have been adopted by the EU and are deemed to be relevant and may have an effect on PA Resources' future financial reports.

IFRS 9, Financial Instruments: Recognition and Measurement (not yet adopted by the EU, and no timetable for approval established at present)

IFRS 9 is a complete overhaul of the existing standard IAS 39.The standard will entail a reduction in the number of valuation categories for financial assets, entailing that the main categories for recognition will be amortised cost and fair value through profit or loss. During the year, the IASB decided until further notice to set a date for first-time application until the standard is complete. Pending the adoption of all the parts of the standard, the Group has yet to evaluate the impact of implementation of the standard.

IFRS, 10 Consolidated Financial Statements – supersedes parts of IAS 27 Separate Financial Statements.

IFRS 10 is to be applied for financial years that start on or after 1 January 2014.The standard is to be applied retrospectively in accordance with IAS 8, with certain modifications.

The standard, which supersedes most of IAS 27 addresses the preparation of the consolidated accounts, and the biggest change involves a new definition of "control" and how a company should proceed to determine whether control exists and whether an entity should be consolidated. During the year the Group evaluated the effects of implementation of IFRS 10, and the assessment is that implementation is not expected to have any impact to the Group's financial statements.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures

This standard is to be applied to for financial years that start on 1 January 2014 or later. IFRS 11 addresses accounting for joint arrangements that are defined as contractual arrangements where two or more parties have *joint control*.

For an arrangement to be defined as an joint arrangement under IFRS 11, the entity shall determine whether a party has *control* over another party i.e. or if *joint control* exists within the arrangement. If the later exists, the arrangement is a so-called joint arrangement, and the company shall define the arrangement as either a joint operation or a joint venture in accordance with requirements of IFRS 11.

IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The Group will apply the standard starting on 1 January 2014 with a modified retrospective effect. IAS 28 is essentially similar to the previous version of IAS 28 and is to apply for financial years that start on or after 1 January 2014.

During the year the Group evaluated the effects of implementation of IFRS 11, and the assessment is that implementation is not expected to have any impact on the Group's financial statements.

Interests in joint operations

The Company has interests in licences in the North Africa, West Africa and North Sea regions. According to IFRS 11 Joint Arrangements a joint operation is a joint arrangement whereby the parties that have *joint control of the arrangement have rights to the assets and obligations* for the liabilities, associated with the arrangement. The Company reports investments in joint operations (oil and gas licences) by reporting its share of related expenses, assets, liabilities and cash flows under the respective items in the Company`s financial statements.

For those licenses that are not deemed to be a joint arrangement under the definition in IFRS 11 because there is no joint control, the Company reports its share of related expenses, assets, liabilities and cash flows on a line by line basis in the financial statements in accordance with applicable IFRSs.

IFRS 12 Disclosure of Interests in Other Entities

This standard is to be applied for financial years that start 1 January 2014 or later. The standard, which addresses companies that own shares in subsidiaries, associates, joint arrangements and unconsolidated structured entities, entails a disclosure requirement aimed at providing readers of the financial statements an increased understanding of these holdings and the reporting pertaining to them. During the year, the Group evaluated the effects of the implementation of IFRS 12, and the assessment is that the implementation will result in more extensive disclosure requirements but is not expected to have any impact the Group's financial statements.

IAS 32 Financial Instruments : Presentation - amendment

The amendment in IAS 32 is to be applied for financial years that start on 1 January 2014 or later and provides clarification regarding offsetting of financial assets and liabilities with respect to what is meant by "a legal right to offset" and what is meant by "records are governed by a net amount" in different situations.

During the year the Group evaluated the effects of the implementation of the amendment and the assessment is that implementation is not expected to have any impact on the Group's financial statements.

The Annual Accounts Act and RFR 2

Amendments to the Annual Accounts Act may have an effect of the Parent Company's financial statements.

RFR 2 was updated in January 2013 and is to be applied for financial years that started on 1 January 2013 or later, unless something else is stipulated in the respective standards and pronouncements. One significant change in RFR 2 is that new gudiance has been provided for accounting for Group contributions, a company can apply either the general rule or the alternative rule. The selected rule is to be applied consistently for all Group contributions.

In addition, new sections have been introduced on IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Companies, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The company will apply the new standards for the financial year starting 1 January 2014.

Note 2.4 Critical accounting principles, estimates and assumptions

In the course of preparing the financial statements, the management of PA Resources has to make estimates and assumptions that will affect recorded asset and liability items as well as revenue and expense items. Uncertainties in estimates and assumptions could have an effect on reported values of assets, liabilities and consolidated results. Estimates and assumptions are reviewed regularly on the basis of historical experience and other factors, including expectations of future events. The main estimates and assumptions are shown below:

Estimates and assumptions of oil and gas reserves

Accounting for oil and gas discoveries is subject to accounting rules that are unique to the oil and gas industry. The accounting principles and areas which require the most significant estimates and assumptions when preparing the consolidated financial statements relate to oil and natural gas accounting, including estimates of and assumptions concerning reserves. The valuation of oil and gas properties is based on estimates and assumptions concerning both proven and probable oil reserves at the time of acquisition of the oil fields and the expected oil that can be produced yearly. Estimates and assumptions of proven and probable oil reserves are performed with the aid of third party valuations and reserves are adjusted annually in the light of the volume of oil and gas produced as well as new discoveries made during the year. However, there is always a certain amount of uncertainty surrounding the valuations performed, and should there be any new estimates and assumptions showing a decrease in oil reserves or if the oil production does not encounter potentially economically profitable oil and gas quantities there is a significant risk that the recorded oil and gas properties for specific wells will have to be impaired. This is assessed in impairment testing.

The results of third-party appraisals are analysed and an assessment performed of any discrepancies identified between estimated proven and probable oil and gas reserves compared with Group internal appraisals. Assessments are performed by the management in respect of how the appraisals are utilised.

Impairment testing of exploration and evaluation assets as well as oil and gas properties

During impairment testing of recorded exploration and evaluation assets as well as oil and gas properties an estimate of the value in use is required for the cash generating units. When calculating present value an estimate is required of the cash generating units' future cash flows as well as the discount rate to be applied for calculating present value. When assessing impairment the management has to decide the method to be used to establish values in use, what underlying variables should affect the method of calculating the values in use and whether there are different risks in the cash generating units. The management must therefore assess whether different discount factors should be used when calculating values in use.

For information on the reported values of total exploration and evaluation assets as well as oil and gas properties on the balance sheet date refer to Note 16 Exploration and evaluation assets as well as oil and gas properties and Note 18 Impairment testing of exploration and evaluation assets as well as oil and gas properties.

Estimation of and assumptions concerning taxes

In order to determine current tax receivables and liabilities and capitalisation of provisions for deferred tax assets and liabilities, significant estimates and assumptions have to be made by the management. This process includes analyzing the tax result of each of the legal entities in which PA Resources conducts its business. The process includes analysing exposure to current tax and establishing temporary differences that arise because certain assets and liabilities are valued in different ways in the financial statements and in the income declarations.

The management also has to assess the probability that deferred tax assets can be realised against future taxable revenues as well as repayments of accrued exploration expenses. The actual outcome could differ from these assessments, for example depending on future changes in business conditions and investment decisions, currently unknown changes in fiscal legislation or as a result of the final examination by tax authorities or courts of law of tax declarations submitted. For information on the reported values of total current tax and total deferred tax receivables and tax liabilities on the balance sheet date refer to Note 14 Income tax.

Estimation of and assumptions concerning provisions for asset retirement obligations

Provisions for asset retirement obligations are based on estimates of expected future obligations and requirements relating to dismantling, removal, clean-up and similar actions around the drilling sites on the oil fields. The estimates are based on legal requirements from the authorities, estimated close-down expenses from operators in oil fields where the Group merely owns shares as well as the management's own assessments concerning future close-down where the Group is operator. Actual future cash outflow may differ from the provisions for asset retirement obligations due to changes in these factors. In order to take any changes into account the recorded values of the provisions for asset retirement obligations are reviewed regularly. When calculating the provisions for future asset retirement obligations the management must make assessments concerning future investments and development on the oil fields, any changes in the requirements of the local authorities concerning asset retirement obligations as well as other factors which may significantly affect the provision. For more information on the values reported for total asset retirement obligations per balance sheet date refer to Note 24 Provisions.

Note 2.5 Significant judgments in the application of the Group's accounting principles

Subsidiaries' assets and liabilities in foreign currencies as at the balance sheet date are translated from the functional currency of the unit concerned into the Group's reporting currency (SEK). The company assesses annually whether the subsidiaries' functional currency is affected by any changes in the local economic environments in which the subsidiaries conduct their business. During the current financial year, none of PA Resources units changed its functional currency.

Note 3 Acquisitions of operations and license shares

During the 2013 and 2012 financial years no acquisitions or divestments were made of companies or of shares in companies. In 2013 the wholly owned subsidiary Microdrill AB was merged through absorption by the parent company PA Resources AB.

In 2013, the Group relinquished licence 2008/17 (Block 8) in Greenland. In early February 2014, Block H was relinquished, for which impairment was recognised in the fourth quarter of 2013. Furthermore, PA Resources decreased its working interests in the Didon and Zarat licences by farming out a 70% interest to EnQuest. Working interests were also reduced by farming out 60% in MPS to SOCO, and 40% in licence 12/06 and 56% in licence B20008/73 to Dana Petroleum.

In 2012, PA Resources was awarded Block 22/19a in the UK and relinquished the following licences: 9/95 ("Maja") in Denmark, Marine XIV in the Republic of Congo (Brazzaville) and P 1342 in the UK. In the middle of January 2013, licence P 1802 was relinquished. As for the other relingquished licences, the impairment charge for which was recognised in 2012. In addition, PA Resources reduced its ownership interest in the B20008/73 offshore licence in Germany from 100% to 90%.

Note 4 Revenue

Group revenue primarily refers to sales of oil and gas. Most of the Parent company's revenue refers to sale of services to other Group companies.

	Group		Parent company	
SEK 000s	Jan.-Dec. 2013	Jan.-Dec. 2012	Jan.-Dec. 2013	Jan.-Dec. 2012
”Working interest” production	1,287,297	2,164,220	-	-
Revenue, internal	-	-	32,267	27,960
Other revenue	24,326	19,307	144	168
Total revenue	**1,311,623**	**2,183,527**	**32,411**	**28,128**

Note 5 Cost of sales

The Parent company has no expenses classified as cost of sales.

	Group	
SEK 000s	Jan.-Dec. 2013	Jan.-Dec. 2012
Operation costs	-248,151	-330,789
Operating rental costs	-121,773	-154,790
Maintenance costs	-100,224	-5,732
Royalties	-155,560	-255,243
Other operating costs	-2,892	-3,855
Total cost of sales	**-628,600**	**-750,409**

Note 6 Segment information

The Group is organised and followed up according to geographic regions, which correspond to the operating segments for which information is provided. Operating segments per geographic region correspond to the reporting for local units within the respective regions, except for working interests in PA Resources AB, which are reported in the North Sea segment.

Following is a compilation of operating segments per geographic region and the local reporting entities that are included within the respective reportableoperating segments:

North Africa: Hydrocarbures Tunisie Corp, Hydrocarbures Tunisie El Bibane Ltd, PA Resources Tunisia.
West Africa: PA Energy Congo Ltd, Osborne Resources Ltd.
North Sea: PA Resources UK Ltd, PA Resources Denmark ApS and PA Resources AB's working interests in Greenland.
Other/joint- Group: PA Resources AB and joint-Group.

The operating segments are accounted for according to the same accounting policies as for the Group. The operating segments' revenue, expenses, assets and liabilities include items directly attributable to and items that can be allocated to a specific operating segment in a reasonable and reliable manner. The Group centralises its handling of financial assets and liabilities. As a result of this, financial items and financial assets and liabilities are reported as joint-Group items.

During the fourth quarter of 2013 the wholly owned subsidiary Microdrill AB was merged through absorption by the parent company PA Resources AB.

Externally reported revenue for all operating segments except for ”Other” pertains to sales of oil and services related to exploration and production of oil and gas. Group management (the CO DM) follows up the profit/loss measure ”Operating profit”. The column ”Other/Group” includes – in addition to the companies listed above – also ”Joint-Group transactions”.

	January - December 2013					
Income Statement (SEK 000s)	**North Africa**	**West Africa**	**North Sea**	**Other/Group**	**Group elimination**	**Total**
Revenue	288,837	1,013,546	20,087	32,411	-43,258	**1,311,623**
Decommissioning costs	-	-468,828	-	-	-	**-468,828**
Capital loss	-461,755	-	-	-	-	**-461,755**
Total expenses	-245,390	-450,969	-25,200	-59,359	5,195	**-775,723**
Impairment losses	-	-354,342	-187,592	-	-	**-541,934**
Depreciation and amortisation	-115,865	-80,129	-214	-2,057	-	**-198,265**
Operating profit	**-534,173**	**-340,722**	**-192,919**	**-29,005**	**-38,063**	**-1,134,882**
Total financial items						-205,156
Profit before tax						**-1,340,038**
Income tax						120,677
Profit for the year						**-1,219,361**

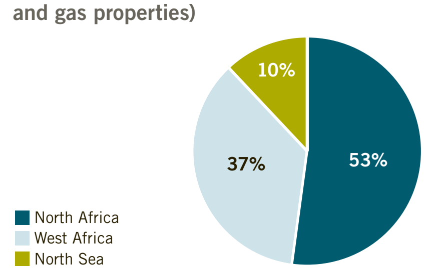
	January - December 2012					
Income Statement (SEK 000s)	**North Africa**	**West Africa**	**North Sea**	**Other/Group**	**Group elimination**	**Total**
Revenue	625,202	1,553,810	16,111	28,128	-39,724	**2,183,527**
Total expenses	-247,126	-633,128	-40,160	-47,402	39,724	**-928,092**
Impairment losses	-	-1,639,586	-108,088	-	-	**-1,747,674**
Depreciation and amortisation	-317,942	-253,433	-	-95	-	**-571,470**
Operating profit	**60,134**	**-972,337**	**-132,137**	**-19,369**	**-**	**-1,063,709**
Total financial items						-599,317
Profit before tax						**-1,663,026**
Income tax						-302,719
Profit for the year						**-1,965,745**

Cont. Note 6

Balance sheet (SEK 000s)	North Africa	West Africa	North Sea	Other/ Group	Group elimination	Total
	31 December 2013					
Exploration and evaluation assets	2,024,041	1,176,177	450,234	-	-	**3,650,452**
Oil and gas properties	391,212	503,158	-	-	-	**894,370**
Machinery and equipment	1,457	-	2,264	-	-	**3,721**
Financial Assets	346	-	-	1,876,116	-1,876,116	**346**
Deferred tax receivables	-	-	-	50,000	-	**50,000**
Current assets	156,796	77,022	101,111	526,205	-	**861,134**
Total assets	**2,573,852**	**1,756,357**	**553,609**	**2,452,321**	**-1,876,116**	**5,460,023**
Equity						**1,795,135**
Non-current liabilities	386,774	206,271	-	1,433,304	-	**2,026,349**
Current liabilities	259,389	515,236	16,007	847,907	-	**1,638,539**
Total equity and liabilities	**646,163**	**721,507**	**16,007**	**2,281,211**	**-**	**5,460,023**
Investments in exploration and evaluation assets	7,035	111,012	45,416	-	-	**163,463**
Investments in oil and gas properties	19,015	86,363	-	-	-	**105,378**
Investments in machinery and equipment	632	-	1,608	-	-	**2,240**

Balance sheet (SEK 000s)	North Africa	West Africa	North Sea	Other/ Group	Group elimination	Total
	31 December 2012					
Exploration and evaluation assets	1,734,217	1,000,275	663,789	-	-	**3,398,281**
Oil and gas properties	1,606,390	519,580	-	-	-	**2,125,970**
Machinery and equipment	4,333	-	42	6	-	**4,381**
Financial Assets	1,029	26	-	2,190,823	-2,190,823	**1,055**
Deferred tax receivables	-	-	-	103,412	-	**103,412**
Current assets	193,484	462,601	16,766	132,646	-	**805,497**
Total assets	**3,539,453**	**1,982,482**	**680,597**	**2,426,887**	**-2,190,823**	**6,438,596**
Equity						**1,590,257**
Non-current liabilities	1,067,842	266,976	-	399,832	-	**1,734,650**
Current liabilities	345,171	298,869	30,705	2,438,944	-	**3,113,689**
Total equity and liabilities	**1,413,013**	**565,845**	**30,705**	**2,838,776**	**-**	**6,438,596**
Investments in exploration and evaluation assets	5,536	14,100	28,521	-	-	**48,157**
Investments in oil and gas properties	-	206,785	-	-	-	**206,785**
Investments in machinery and equipment	75	-	-	-	-	**75**

Allocation of book values by region (exploration and evaluation as well as oil and gas properties)



Cont. Note 6

The Group's customers consist of a small number of major international oil and trading companies. Information on external revenue pertaining to the region where the operating segments are registered and outside the region is provided below. The table also shows revenue from individual external customers where the revenue amounts to 10% or more compared with total external revenue for the Group.

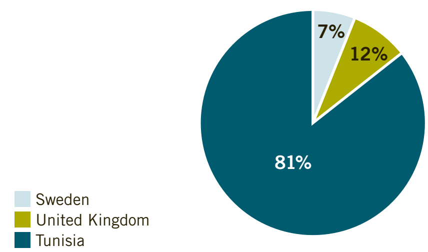
	January - December 2013					
SEK 000s	**North Africa**	**West Africa**	**North Sea**	**Other/Group**	**Group elimination**	**Total**
Revenues from external customers within the region	24,031	65	20,087	32,411	-43,258	**33,336**
Revenues from external customers outside the region	264,806	1,013,481	-	-	-	**1,278,287**
Total revenues, external	**288,837**	**1,013,546**	**20,087**	**32,411**	**-43,258**	**1,311,623**
Revenues from external customers exceeding 10% of total Group revenue						
Customer 1	237,286	854,425	-	-	-	**1,091,711**
Percentage of revenues from external customers exceeding 10% of total Group revenue						
Customer 1	18%	65%				**83%**

	January - December 2012					
SEK 000s	**North Africa**	**West Africa**	**North Sea**	**Other/Group**	**Group elimination**	**Total**
Revenues from external customers within the region	133,900	95	16,111	28,128	-39,724	**138,510**
Revenues from external customers outside the region	491,302	1,553,715	-	-	-	**2,045,017**
Total revenues, external	**625,202**	**1,553,810**	**16,111**	**28,128**	**-39,724**	**2,183,527**
Revenues from external customers exceeding 10% of total Group revenue						
Customer 1	407,986	406,307	-	-	-	**814,293**
Customer 2	-	859,326	-	-	-	**859,326**
Percentage of revenues from external customers exceeding 10% of total Group revenue						
Customer 1	19%	19%	-	-	-	**38%**
Customer 2	-	39%	-	-	-	**39%**

Note 7 Employees, salaries and other remuneration

	Jan.-Dec. 2013		Jan.-Dec. 2012	
	Average number of employ-ees	Of which men in percent	Average number of employ-ees	Of which men in percent
Parent company	9	67	8	66
Subsidiaries	111	82	124	83
Group Total	**120**	**82**	**132**	**82**
Of which Sweden	9	67	8	66
Of which United Kingdom	14	71	11	73
Of which Tunisia	97	84	113	95
Group Total	**120**	**82**	**132**	**82**

Allocation of employees per country



Average number of persons broken down for Board of Directors and senior executives

	Jan.-Dec. 2013		Jan.-Dec. 2012	
	Number	Of which men in percent	Number	Of which men in percent
Parent company				
Board of Directors	5	100	5	80
Group management	2	100	2	100
Group Total				
Board of Directors	5	100	5	80
Group management	2	100	2	100

Salaries, remuneration, social contributions and pension costs

	Jan.-Dec. 2013			Jan.-Dec. 2012		
SEK 000s	Salaries and other remuneration	Social security contributions	Of which pension costs	Salaries and other remuneration	Social security contributions	Of which pension costs
Sweden (Parent company)	15,438	5,235	1,505	13,643	6,335	1,596
Subsidiaries	35,481	6,380	2,506	34,315	6,329	2,243
Group Total	**50,919**	**11,615**	**4,011**	**47,958**	**12,664**	**3,839**

Total salaries and other remunerations include salaries, director fees and other remuneration. PA Resources only has defined-contribution pension plans.

Salaries and other remuneration broken down for Board of Directors, senior executives and other personnel.

	Jan.-Dec. 2013			Jan.-Dec. 2012		
SEK 000s	Board of Directors	Group Management	Other personnel	Board of Directors	Group Management	Other personnel
Sweden (Parent company)	1,647	6,728	7,063	1,833	6,362	5,448
Subsidiaries	-	-	35,481	-	-	34,315
Group Total	**1,647**	**6,728**	**42,544**	**1,833**	**6,362**	**39,763**

Note 8 Remuneration and other benefits; Board of Directors and senior executives of the Parent company

Jan.-Dec. 2013 SEK 000s	Salary/ Director fees	Remunerations	Other benefits	Pension costs	Other remunerations	Total
Hans Kristian Rød (Former Chairman)	275					**275**
Lars Olof Nilsson (Former Board of Director)	137					**137**
Per Jakobsson (Former Board of Director)	137					**137**
Catharina Nystedt-Ringborg (Former Board of Director)	137					**137**
Sven A Olsson (Chairman)	275					**275**
Nils Björkman (Board of Director)	137					**137**
Paul Waern (Board of Director)	275					**275**
Philippe Probst (Board of Director)	137				215	**352**
Philippe Ziegler (Board of Director)	137					**137**
Group Management (CEO and CFO)	3,736	491	168	650	1,575	**6,620**

Jan.-Dec. 2012 SEK 000s	Salary/ Director fees	Remunerations	Other benefits	Pension costs	Other remunerations	Total
Hans Kristian Rød (Chairman)	550				83	**633**
Lars Olof Nilsson (Board of Director)	275				100	**375**
Paul Waern (Board of Director)	275					**275**
Catharina Nystedt-Ringborg (Board of Director)	275					**275**
Per Jakobsson (Board of Director)	275					**275**
Group Management (2 CEO and CFO)	5,237	300	244	881		**6,662**

PA Resources had three CEOs in 2013. Until 15 May 15 2013 Bo Askvik held the position of CEO and received SEK 1,260 thousand in base salary during the period. Other benefits and pension costs amounted to SEK 61 thousand and SEK 167 thousand, respectively. The board member Philippe Probst was CEO during the period 15 May to 1 October. In addition to directors' fees, Philippe Probst billed consulting fees totalling SEK 1,790 thousand during the year, of which SEK 1,575 thousand for his time as CEO. From 1 October, the position is held by Mark McAllister, who receives an annual base salary of GBP 300,000 thousand and a company car allowance. Bo Askvik left employment in PA Resources 31 July 2013 and thereafter receives termination salary totalling SEK 3,360 thousand for 12 months. This amount was expensed in 2013, but is not included in the table above.

The CEO has the possibility to receive a maximum of 50% of his base salary in the form of annual performance-based variable compensation based on the achievement of individual goals. For the 2013 financial year, SEK 107 thousand was paid in performance-based variable compensation at the start of 2014. For othe senior executives, a maximum of 40% of base salary can be received in the form of annual variable compensation. Effective as from 2014, the Board has decided to introduce a long-term bonus programme for senior executives, among others. For further information about the bonus programme, see page 34.

The category of senior executives also includes the CFO. The employment ended on 28 February 2013 for the Company's former CFO, and current CFO took office on 1 May 2013. As from 2014, the category of other senior executives consists of five persons, see page 34.

For the CEO, a notice period of twelve months applies if the company serves notice and three months if notice is given by the employee. No agreements for severance pay or other compensation exist with the parent company's or group's CEOs or board members. The CFO has an agreementf or severance pay of up to six months in the event a change takes place in the Group's majority ownership. No agreements for bonuses or comparable remuneration have been made for the CEO, the CFO or board members. The Group has no commitments in respect of loans, pledged assets or other guarantees for the benefit of the parent company's or Group's CEOs or board members.

Directors' fees totalling SEK 1,650 thousand (unchanged from preceding year) shall be paid to the Board in accordance with a decision made at the Annual General Meeting on 14 May 2013 and an extraordinary general meeting on 5 July 2013. The table above shows the year's expensed remuneration and other benefits paid to the Chairman of the Board and the respective directors. Payments are made as starting with the 2013 AGM in four equal parts, with the first payment being made on 31 July 2013 and the final payment on 30 April 2014. For further information regarding guidelines for remuneration, see page 34.

Note 9 Share-based incentive schemes

At the end of 2013, there were no share-related incentive programmes in place that could result in issue of new shares or any other financial instruments.

Note 10 Other external expenses

	Group		Parent company	
SEK 000s	**Jan.-Dec. 2013**	**Jan.-Dec. 2012**	**Jan.-Dec. 2013**	**Jan.-Dec. 2012**
Consultant fees	-49,234	-28,448	-30,949	-17,955
Office related expenses	-16,169	-15,003	-3,899	-4,281
Travel expenses	-2,821	-1,837	-1,455	-1,205
License related expenses	-32,525	-52,536	-	-
Activated work - own account	20,565	19,857	-	1,718
Intragroup expenses	-	-	-	-10,598
Other	-4,405	-32,892	-491	-172
Total other external expenses	**-84,589**	**-110,859**	**-36,794**	**-32,493**

Note 11 Remunerations to auditors

	Group		Parent company	
SEK 000s	Jan.-Dec. 2013	Jan.-Dec. 2012	Jan.-Dec. 2013	Jan.-Dec. 2012
Ernst & Young AB, audit referred to audit engagement	2,684	3,919	2,000	2,825
Ernst & Young AB, audit outside audit engagement	1,143	-	1,143	-
Ernst & Young, tax consultancy	233	366	142	-
Ernst & Young AB, other services	1,536	613	350	431
PricewaterhouseCoopers, audit referred to audit engagement	307	-	-	-
PricewaterhouseCoopers, tax consultancy	1,637	-	-	-
PricewaterhouseCoopers, other services	493	1,180	-	-
Chantrey Vellacott, audit referred to audit engagement	289	204	-	-
Chantrey Vellacott, other services	418	11	-	-
BDO LLP, other services	-	107	-	-
Total	**8,741**	**6,400**	**3,635**	**3,256**

Note 12 Leasing

The Group's lease agreements where all risks and benefits associated with the ownership do not accrue to the Group are classified as operating leases. All the Group's leased assets during the year are classified as operating leases. The Group utilises premises, garages, company cars, computers and machinery through operating lease agreements. Leasing costs amounted to SEK 27.8 million (44.1) for the 2013 financial year. Future payment commitments for lease agreements within the Group are stated in the table below:

	2013			
Operating leases, SEK 000s	Premises	Production related	Other	Total
Maturity year 2014	2,273	-	362	**2,635**
Maturity year 2015 - 2018	5,619	-	229	**5,848**
Maturity year 2019 and after	-	-	-	**-**

	2012			
Operating leases, SEK 000s	Premises	Production related	Other	Total
Maturity year 2013	4,129	32,936	537	**37,602**
Maturity year 2014 - 2017	4,579	3,232	198	**8,009**
Maturity year 2018 and after	-	808	-	**808**

Note 13 Financial income and expenses

Exchange gains and losses are reported net in the income statement for the Group and Parent company.

	Group		Parent company	
SEK 000s	Jan.-Dec. 2013	Jan.-Dec. 2012	Jan.-Dec. 2013	Jan.-Dec. 2012
Interest income	11,034	5,503	99,344	100,559
Exchange gains	99,856	-	92,680	-
Other financial items	-	-	44,967	1,224
Total financial income	**110,890**	**5,503**	**236,991**	**101,783**
Interest expense	-265,325	-380,354	-283,453	-369,167
Exchange losses	-	-1,021	-	-361,862
Other financial items	-50,721	-223,445	-52,966	-137,912
Total financial expenses	**-316,046**	**-604,820**	**-336,419**	**-868,941**
Exchange gains/losses are broken down as follows;				
Exchange gains arising from bank equivalents (gross)	20,139	6,043	19,168	4,342
Exchange gains arising from borrowings (gross)	177,991	116,099	980,424	1,263,769
Exchange losses arising from bank equivalents (gross)	-13,122	-6,425	-12,392	-6,398
Exchange losses arising from borrowings (gross)	-85,152	-116,738	-894,520	-1,623,575
Total exchange gains (+) / losses (-) (net)	**99,856**	**-1,021**	**92,680**	**-361,862**

Of the year´s total financial income in the Parent company, SEK 894,816 thousand (1,247,469) refers to income from Group companies.
Of the year´s total financial expenses in the Parent company, SEK 850,040 thousand (1,548,806) refers to expenses from Group companies.

Note 14 Income tax

The tax charge for the years 2013 and 2012 pertains to the components reported in the tables below. The tables also show deferred tax assets and liabilities as at 31 December 2013 and 2012. The Group operates in a number of countries and tax systems that have different corporate tax rates to those in Sweden. The corporate tax rates within the Group vary between 22 percent and 75 percent.

	Group		Parent company	
Current income tax (SEK 000s)	**Jan.-Dec. 2013**	**Jan.-Dec. 2012**	**Jan.-Dec. 2013**	**Jan.-Dec. 2012**
Current income tax relating to:				
Current income tax				
Current income tax for the year	-184,463	-385,093	-	-
Adjustment of income tax for preceding year	-	-	-	-
	-184,463	**-385,093**	**-**	**-**
Deferred income tax				
Origin and reversal of temporary differences	267,366	99,500	-103,475	31,421
Adjustment of deferred income tax for preceding year	37,774	-17,126	-	104,872
Total income tax reported in the income statement	**120,677**	**-302,719**	**-103,475**	**136,293**

The tax charge/revenue for the years 2013 and 2012 can be reconciled against reported profit/loss before tax multiplied by the current income tax rate as follows:

	Group		Parent company	
Reconciliation of effective income tax	**Jan.-Dec. 2013**	**Jan.-Dec. 2012**	**Jan.-Dec. 2013**	**Jan.-Dec. 2012**
Profit before tax	-1,340,038	-1,663,026	-2,455,802	-827,619
Adjustment for income taxed on other basis	830,286	1,672,277	-	-
Profit before tax where taxation is based on net profit	**-509,752**	**9,251**	**-2,455,802**	**-827,619**
Income tax expense according to applicable tax rate 22.0 percent (26,3 percent) in Sweden	112,145	-2,433	540,276	217,664
Adjustment for tax conditions and tax rates in other countries	1,194	-9,255	-	-
Tax effect farm-out Tunisia*	244,150	-	-	-
Non-deductible income statement items tax effect	-139,671	-59,369	-605,418	-512,671
Non-taxable income statement items	43,396	20,803	72,343	498,798
Temporary differences and deficiencies for which deferred income tax has not been accounted for	-	-42,356	-	-93,911
De-recognition deferred tax assets in prior year	-54,871	-	-104,871	-
Non-recognized deferred tax asstes on current year's loss	-29,027	-	-5,805	-
Tax effect of non-booked revenue	-	-78,843	-	-78,743
Tax effect on tax losses carryforward - not earlier recognized	-	125,370	-	125,370
Effect due to change in tax rate	-	-20,213	-	-20,213
Adjustment of income tax prior year	37,774	-17,126	-	-
Other	-21,945	-52,624	-	-
Reported tax based on the results where taxation is based on net profit	**193,145**	**-136,045**	**-103,475**	**136,293**
Income tax paid on a basis other then the reported result	-72,468	-166,674	-	-
Total income tax	**120,677**	**-302,719**	**-103,475**	**136,293**

* Total tax effect from the Tunisian farm-out amounted to SEK 345 million, in this note the amount is divided in several items.

Cont. Note 14

Deferred tax liabilities (net) (SEK 000s)	Group balance sheet 31 Dec. 2013	Group balance sheet 31 Dec. 2012	Group income statement Jan.-Dec. 2013	Group income statement Jan.-Dec. 2012	Parent company balance sheet 31 Dec. 2013	Parent company balance sheet 31 Dec. 2012	Parent company income statement Jan.-Dec. 2013	Parent company income statement Jan.-Dec. 2012
Deferred tax referred to participating interests in oil fields	379,286	722,451	-8,078	-33,268		-	-	-
Deferred tax referred to oil sales	-6,284	-21,580	-7,815	5,884	-	-	-	-
Deferred tax referred to convertible bond	63	1,459	1,395	31,221	63	1,459	1,395	31,221
Deferred tax on other temporary differences	-79,815	-104,872	319,638	78,537	-	-104,872	-104,871	105,072
Total deferred tax liabilities (net)	**293,250**	**597,458**			**63**	**-103,413**		
Deferred income tax, net			**305,140**	**82,374**				**136,293**
Deferred tax expenses, net							**-103 475**	

Tax items recorded directly in equity	Group 31 Dec. 2013	Group 31 Dec. 2012	Parent company 31 Dec. 2013	Parent company 31 Dec. 2012
Deferred tax on other temporary differences	-	-	-	-
Total	**0**	**0**	**0**	**0**

Accumulated losses carried forward in the Group amounted to SEK 1,726,943,000 (1,119,034,000), and in the Parent company to SEK 912,350,000 (687,327,000. The accumulated losses carried forward in the Parent company are effective for the foreseeable future.

Note 15 Earnings per share

	2013	2012
Earnings per share before dilution (SEK)	-21.54	-1,006.22
Profit for the year	-1,219,361	-1,965,745
Profit for the year attributable to ordinary equity holders of the Parent company	**-1,219,361**	**-1,965,745**
Weighted average number of ordinary shares during the year	56,616,263	1,953,588
Earnings per share before dilution (SEK)	**-21.54**	**-1,006.22**

Earnings per share before dilution are calculated by dividing profit for the year attributable to ordinary shareholders of the Parent company by the weighted average number of ordinary shares outstanding during the year.

The calculations for earnings per share after dilution only include those shares that give rise to a dilution effect. A potential dilution effect exists in the convertible bonds outstanding. On calculation of the potential dilution effect for 2013 and 2012, this would have resulted in a positive impact on earnings per share. The applicable accounting policies (IAS 33) do not allow inclusion of a positive effect. The earnings per share are thus reported after dilution excluding the dilutive effect of convertible bonds outstanding. Bearing this limitation in mind, earnings per share after dilution corresponds to earnings per share before dilution.

Note 16 Exploration and evaluation assets and Oil and gas properties

SEK 000s	Group: Exploration and evaluation assets	Group: Oil and gas properties	Parent company: Exploration and evaluation assets
At 1 January 2012	4,086,705	8,616,373	88,082
Investments	48,157	206,785	3,461
Revaluation asset retirement obligations	-	15,553	-
Disposals	-183,536	-	-
Reclassifications	6,424	20,194	-
Exchange rate differences	-220,814	-537,067	-
At 31 December 2012	**3,736,936**	**8,321,838**	**91,543**
Investments	163,463	105,378	5,723
Revaluation asset retirement obligations	-	8,689	-
Disposals	-35,735	-144,090	-97,266
Farm-out	-	-2,453,574	-
Reclassifications	592,579	-26,862	-
Exchange rate differences	302,420	-273,986	-
At 31 December 2013	**4,759,664**	**5,537,393**	**0**
Depreciation, amortisation and write-downs			
At January 1 2012	139,274	-4,949,060	0
Depreciation charge for the year	-	-568,997	-
Write-downs for the year	-693,980	-1,046,684	-
Disposals	188,619	-	-
Reclassifications	2,839	-	-
Exchange rate differences	24,593	368,873	-
At 31 December 2012	**-338,655**	**-6,195,868**	**0**
Depreciation charge for the year	-	-197,049	-
Write-downs for the year	-520,770	-21,164	-97,266
Disposals	96,268	73,750	97,266
Farm-out	-87,560	1,587,097	-
Reclassifications	-361,220	217,130	-
Exchange rate differences	102,726	-106,919	-
At 31 December 2013	**-1,109,211**	**-4,643,023**	**0**
Net book value:			
At 31 December 2012	**3,398,281**	**2,125,970**	**91,543**
At 31 December 2013	**3,650,452**	**894,370**	**0**

Of the year’s impairment loss in exploration and evaluation assets of SEK 521 million, SEK 97 million was attributable to the relinquished license 2008/17 (Block 8) in Greenland, SEK 326 million due to the farm-out transaction on the MPS license and SEK 90 million respectively SEK 8 million for impairment losses recognized for licenses 9/06 (Gita) in Denmark and Block H in Equatorial Guinea.

The preceding years´ impairment loss of SEK 694 million was attributable to impairment of the relinquished licenses: 9/95 (“Maja”) in Denmark, P 1342 and P 1802 in the UK as well as Marine XIV in the Republic of Congo of SEK 281 million. In addition, an impairment charge of SEK 413 million was attributable to license MPS in the Republic of Congo as a consequence of the revision of the volume of future recoverable reserves.

The year’s impairment loss in oil and gas properties of SEK 21 million was attributable entirely to the impairment of the remaining costs for investments in the Azurite field. The preceding years´ impairment loss of SEK 1,047 million was attributable to the Azurite field, where SEK 896 million pertained to impairment performed in the third quarter as a consequence of the revision of the volume of future recoverable reserves and SEK 151 million to the additional investment costs which were expensed in the fourth quarter.

The receivable of SEK 422 million on SNPC was reclassified from accounts receivable and other receivables to exploration and evaluation assets. The accounting effect from farmed-out assets in 2013, amounted to SEK 954 million, net and pertain to licenses 12/06 in Denmark, B20008/73 in Germany, MPS in the Republic of Congo and to the license Didon in Tunisia. In connection with the Tunisian farm-out process an amount of approximately SEK 300 million was reclassified from oil and gas properties to exploration and evaluation assets.

For more information, see Note 18 Impairment testing of exploration and evaluation assets as well as oil and gas properties. During the year as well as for the preceding year no borrowing costs have been capitalized. The Parent company has no oil and gas properties.

Note 17 Machinery and equipment

	Group	Parent company
SEK 000s	**Machinery and equipment**	**Machinery and equipment**
At 1 January 2012	48,117	1,036
Investments	75	-
Disposals	-6,275	-174
Exchange rate differences	-2,549	-
At 31 December 2012	**39,368**	**862**
Investments	2,240	-
Disposals	-10,719	-
Exchange rate differences	102	-
At 31 December 2013	**30,991**	**862**
Depreciation, amortisation and impairment		
January 1 2012	-32,618	-934
Depreciation charge for the year	-2,473	-95
Write-downs for the year	-7,010	-
Disposal	6,053	173
Reclassifications	-834	-
Exchange rate differences	1,895	-
At 31 December 2012	**-34,987**	**-856**
Depreciation charge for the year	-1,216	-5
Disposals	8,944	-
Exchange rate differences	-11	-1
At 31 December 2013	**-27,270**	**-862**
Net book value:		
At 31 December 2012	**4,381**	**6**
At 31 December 2013	**3,721**	**0**

The preceding year´s impairment charge of SEK 7 million, SEK 1 million was attributable to the UK and SEK 6 million to the Republic of Congo.

Note 18 Impairment testing Exploration and evaluation assets and oil and gas properties

The cash generating units correspond to licence rights, production sharing agreements or equivalents owned by PA Resources. A cash generating unit thus usually corresponds to each acquired asset in each country in which PA Resources carries on exploration and production operations. A period of use from 2014 through 2043 (2013-2042) has been utilised for assessment of the value-in-use per cash generating unit.

The method of testing for impairment of assets in production is to calculate the present value of future estimated cash flows which are put in relation to the book values. The main variables used are as follows (assumptions for 2012 are expressed in parentheses):

- Discount rate before tax, interval of 9.0%–11.0% (9.0%–11.0%)
- Tax rate: 40%–75% (40%–75%)
- Royalty rate: 2%–16% (2%–16%)
- Same as for previous year oil price as expressed in the forward price curve for oil with an opening price of USD 105.0 per barrel of oil, which thereafter declines to USD 100.0 per barrel of oil.
- Forecast period: Estimated cash flows based on management expectations for the period 2014-2043 (2013–2042).

The Expected Monetary Value Method is utilised for testing for impairment of assets in which oil and gas discoveries have been identified and test drilling for oil and gas reserves is planned by calculating the expected monetary values and putting these in relation to book values. Expected monetary values were calculated by multiplying the price per barrel of oil equivalents by the percentage estimate of finding oil equivalents and the expected volume of oil equivalents and reducing the value by the total drilling costs.

The assumptions used for both methods have been based partly on historical experience of previous years' impairment testing processes and partly on external sources in the form of technical data, industry information, third party valuations, etc. The book values for exploration and evaluation assets as well as oil and gas properties per operating segment for which impairment testing was performed are shown below.

Exploration and evaluation assets as well as oil and gas properties per operating segment for impairment testing

	31 December 2013				
SEK 000s	**North Africa**	**West Africa**	**North Sea**	**Other**	**Total**
Non-current assets for write-down assessment	2,415,253	2,033,677	637,826	-	**5,086,756**
Write-downs for the year	-	-354,342	-187,592	-	**-541,934**
Total (net)	**2,415,253**	**1,679,335**	**450,234**	**0**	**4,544,822**

	31 December 2012				
SEK 000s	**North Africa**	**West Africa**	**North Sea**	**Other**	**Total**
Non-current assets for write-down assessment	3,340,607	3,154,041	770,267	-	**7,264,915**
Write-downs for the year	-	-1,634,186	-106,478	-	**-1,740,664**
Total (net)	**3,340,607**	**1,519,855**	**663,789**	**0**	**5,524,251**

See Note 16, Exploration and evaluation assets as well as oil and gas properties, for information about impairment losses for 2012 and the preceding year. Impairment tests on other assets showed that the calculated value-in-use per cash generating unit was higher than the book value.

Note 19 Inventories

	Group	
Other materials and supplies (SEK 000s)	**31 Dec. 2013**	**31 Dec. 2012**
At 1 of January	39,217	67,718
Reclassifications	-	-24,160
Purchase	977	-
Used in production	-25,561	-352
Exchange differences	-29	-3,989
At 31 December before adjustment for obsolescence	**14,604**	**39,217**
Provisions for obsolescence	-2,694	-8,346
At 31 December	**11,910**	**30,871**

The Parent company has no inventory.

Note 20 Accounts receivable and other receivables

	Group		Parent company	
SEK 000s	**31 Dec. 2013**	**31 Dec. 2012**	**31 Dec. 2013**	**31 Dec. 2012**
Accounts receivable non-interest bearing	141,383	96,874	-	-
Receivables against other related parties	204,117	-	-	-
Other current receivables	4,560	312,828	153,538	2,048
Prepaid insurance premium	2,482	1,870	54	52
Prepaid leasing fees	-	84	-	84
Prepaid rent	764	1,525	354	347
Accrued interests	693	12,405	693	6
Prepaid license costs	336	346	316	346
Prepaid issue expenses	-	101,651	-	101,651
Other prepaid expenses	41,219	37,885	6,822	10,937
Accrued income crude oil inventory	44,810	148,451	-	-
Total accounts receivable and other receivables	**440,364**	**713,919**	**161,777**	**115,471**

Accounts receivable are not interest-bearing and are generally due for payment within 30–60 days.
Other receivables and accrued income are generally due in 15–90 days.

Note 21 Cash and cash equivalents

	Group		Parent company	
SEK 000s	**31 Dec. 2013**	**31 Dec. 2012**	**31 Dec. 2013**	**31 Dec. 2012**
Cash at banks and on hand	402,513	57,631	363,434	16,134
Total cash and cash equivalents	**402,513**	**57,631**	**363,434**	**16,134**

Cash equivalents refer only to cash at banks. The Group receives interest on available cash in banks according to variable interest rates based on the daily bank balances in each country.

Note 22 Equity

	A-shares		B-shares		Total number of shares		
	Number of shares	Number of votes	Number of shares	Number of votes	Number of shares	Number of votes	Share capital value, SEK
Balance at 1 januari 2012	637,476,893	637,476,893	-	-	637,476,893	637,476,893	318,738,446.50
Redemption convertible shares	759	759	-	-	759	759	379.50
Reduction share capital	-	-	-	-	-	-	-254,991,060.80
Conversion convertible bonds	-	-	6,455,770,272	3,227,885,136	6,455,770,272	3,227,885,136	645,577,027.20
Closing balance at 31 December 2012	**637,477,652**	**637,477,652**	**6,455,770,272**	**3,227,885,136**	**7,093,247,924**	**3,865,362,788**	**709,324,792.40**
Rights issue	3,824,865,912	3,824,865,912	3,227,885,136	1,613,942,568	7,052,751,048	5,438,808,480	705,275,104.80
B-shares conversion to A-shares	9,683,655,408	9,683,655,408	-9,683,655,408	-4,841,827,704	-	4,841,827,704	0.00
Administrative issue	28	28	-	-	28	28	2.80
Reverse share split	-14,117,707,002	-14,117,707,002	-	-	-14,117,707,002	-14,117,707,002	-
Reduction share capital	-	-	-	-	-	-	-1,117,533,921.00
Rights issue	84,875,994	84,875,994	-	-	84,875,994	84,875,994	891,197,937.00
Stock dividend	-	-	-	-	-	-	226,335,984.00
Closing balance at 31 December 2013	**113,167,992**	**113,167,992**	**0**	**0**	**113,167,992**	**113,167,992**	**1,414,599,900.00**

As per 31 December 2012, PA Resources had completed a set-off issue - the first transaction within the framework of the recapitalisation proposal adopted by an extraordinary general meeting on 7 December 2012. The set-off issue increased the number of shares by 6,455,770,272, and the total number of shares outstanding at year-end was 7,093,247,924. The new shares issued through the set-off issue were classified as B shares, however, these were created for administrative reasons and were never eligible for trading. For the administrative purpose of differentiating the classes of shares, the two classes of shares had different voting rights where one A share corresponded to one vote and one B share corresponded to half a vote for the duration of the transition period until completion of the transaction. At the extraordinary general meeting on 7 December 2012, the share quota value was changed from SEK 0.50 to SEK 0.10, which applied for both the Class A and B shares, and resulted in a decrease in the share capital of SEK 254,991,060.80. In early February 2013, the subsequent fully underwritten rights issue was completed, which increased the number of shares by 7,052,751,048. In connection with this, all B shares were converted to A shares and, thereby, became eligible for trading on the NASDAQ OMX exchange in Stockholm. In May PA Resources carried out a reverse share split, entailing a reduction in the number of shares to 28,291,998 with a share quota value of SEK 50.00. On 5 July 2013 an extraordinary general meeting resolved to reduce the share capital and to conduct another rights issue. After the completed and fully subscribed rights issue, the share capital amounted to SEK 1,414,599,900, divided among 113,167,992 shares. The shares have a quota value of SEK 12.50 and carry one vote each.

As per 31 December 2013, the Parent company held no treasury shares nor did it hold any following any of the transactions. PA Resources' managed assets consist of equity. The purpose of the company is to generate profit for its shareholders. No other external capital requirements apply than those stipulated in the Swedish Companies Act.

Note 23 Interest-bearing loans and borrowings

Bond loans

At year-end, the Group had two bond loans outstanding which were classified both as non-current and current interest-bearing loans and borrowings as detailed below:

1. NOK 810 million (900) nominal, with an annual effective coupon of 12.25%. The bond loan has a redemption schedule with a paid amortisation of NOK 90 million in April 2013 and two remaining amortisations of NOK 135 million in April 2014 and April 2015, respectively. Final redemption of the remaining amount, NOK 540 million, is on 5 April 2016. The bond loan is issued by the Parent company and is unsecured. The upcoming amortisation in April 2014 is classified as current interest-bearing loans and borrowings, while the remaining part of the bond loan is classified as non-current interest-bearing loans and borrowings.
2. SEK 750 million (0) nominal, with an annual effective coupon of 13.50%. The bond loan's maximum amount is SEK 1,000 million, of which SEK 750 million has been issued. PA Resources has the right to issue the remaining amount at market price until the maturity date of the bond loan, given that no breaches of the terms and conditions of the bond loan exists. The final maturity date is 3 March 2016. The bond is issued by the Parent company, is unsecured and is classified entirely under non-current interest-bearing loans and borrowings.

During the year, PA Resources repaid a bond loan of SEK 850 million. In addition, NOK 90 million has been amortised according to plan on an amortising bond loan with an original nominal value of NOK 900 million.

Financial covenants

All of the bond loans have financial covenants, as follows:

- The company undertakes for a calendar year not to distribute a dividend, buy back the company's shares or effect other transfers of value to its shareholders of a total value exceeding 50% of the Group's profit after tax;
- The company must ensure that at any given time the Group has equity amounting to at least SEK 1,000 million on a consolidated basis;
- The company must ensure that at any given time the Group maintains a ratio between equity (defined as book equity) and capital employed (defined as book equity plus interest-bearing loans) of at least 40%.

In the interim report for the second quarter of 2013, PA Resources reported a negative result which meant that the company was in breach of the financial covenants of the bond loans since equity was less than SEK 2,000 million (the convenant level at that time). During a bondholder's meeting in June 2013 the bondholders under the Norwegian bond loan (with an original nominal value of NOK 900 million) granted the company a waiver for the breach of covenant and an amendment of the terms and conditions of the bond loan whereby the minimum required equity level was reduced from SEK 2,000 million to SEK 1,000 million. During a bondholder's meeting in the beginning of July 2013 the bondholders under the Swedish bond loan (with a nominal value of SEK 850 million) granted the company a waiver for the breach of covenant. Both waivers were granted in the light of PA Resources' fully guaranteed rights issue, which when it was finalised during September 2013 led to the restoration of the minimum required equity levels and to a situation in which there was no longer any breach of the financial covenants.

Convertible bond

At year-end PA Resources had 5,857,151 outstanding convertibles (5,857,151) corresponding to a nominal amount of SEK 93 million (87), which were issued at the beginning of 2009. The annual nominal interest rate on the convertibles is 11% which is paid on 15 January each year. The convertibles matured for redemption at their nominal value on 15 January 2014. Conversion could be performed each year during the period 1-30 September. The convertible promissory note is defined as a compound financial instrument, which means its classification is split between interest-bearing liabilities and equity. At year-end, the recorded liability on the balance sheet amounted to SEK 94 million (94). No additional shares can arise from conversion of the remaining convertibles as no conversion period remains before the final maturity date of the convertible bond.

Reserve based lending facility and Other interest-bearing loans and borrowings

PA Resources has a reserve-based lending facility (a so-called RBL) with Gunvor S.A. as lender. The outstanding debt as per 31 December 2013 amounted to USD 84.5 million (111.5). No amounts repaid under the RBL will again be available for borrowing. The RBL has a yearly effective rate of 7.5% which is paid continuously, and the Group has pledged a majority of the assets attributable to the business in West Africa as security for the loan. All borrowers (PA Resources AB, PA Resources Tunisia Pty Limited and Osborne Resources Ltd) are jointly and severally liable for all obligations under the RBL agreement. The RBL contains certain restrictive loan terms which limit the possibility for PA Resources to freely decide on certain business relations. In connection with PA Resources' fully guaranteed rights issue, which was completed in September 2013, the terms and conditions of the RBL were changed so that the amortisation of principal due or falling due under the RBL agreement shall be subordinated (i.e. the company does not have to pay any instalments) until the RBL has been replaced with new external debt financing. If PA Resources is in breach of the RBL facility the lender has the right to demand premature repayment of all of part of the loans. The RBL matures on 31 December 2014, which is why the entire outstanding amount has been classified as current interest-bearing loans and borrowings, but the RBL agreement has terms that allow PA Resources to extent the RBL. During 2013 PA Resources amortised USD 27 million on the RBL.

Neither the Group nor the Parent company has any overdraft facilities as per 31 December 2013.

	Group		Parent company	
Non-current Interest-bearing loans and borrowings (SEK 000s)	**31 Dec. 2013**	**31 Dec. 2012**	**31 Dec. 2013**	**31 Dec. 2012**
Bond 810.0 (900.0) MNOK nominal	705,657	0	705,657	0
Bond 750.0 (0) MSEK nominal	727,647	0	727,647	0
Convertible Bond	0	87,083	0	87,083
Reserved based lending facility and other non-current interest-bearing loans and borrowings	0	312,749	0	263,882
Total	**1,433,304**	**399,832**	**1,433,304**	**350,965**
Current Interest-bearing loans and borrowings (SEK 000s)				
Bond 0.0 (850.0) MSEK nominal	0	838,958	0	838,958
Bond 810.0 (900.0) MNOK nominal	117,155	1,035,254	117,155	1,035,254
Convertible Bond	93,424	0	93,424	0
Reserved based lending facility and other current interest-bearing loans and borrowings	550,409	413,766	325,420	61,898
Total	**760,989**	**2,287,978**	**535,999**	**1,936,110**
Total Interest-bearing loans and borrowings	**2,194,292**	**2,687,810**	**1,969,303**	**2,287,075**

Note 24 Provisions

Provisions as per 31 December 2013 (SEK 000s)	1 jan 2013	Disposals	Allocated	Utilized	Time Value	Paid	Exchange difference	Revaluated	Group as per 31 Dec 2013	Whereof short-term	Whereof referred to Parent company
Asset retirement obligation costs	558,654	-288,902	8,695		29,451	-172,492	-616	56,317	191,107	-	-
Tax related provisions	67,322					-16,343	-74		50,905		-
Other provisions	7,972						-15	1,946	9,903	2,057	-
Total	**633,948**	**-288,902**	**8,695**	**-**	**29,451**	**-188,835**	**-705**	**58,263**	**251,915**	**2,057**	**-**

Provisions as per 31 December 2012 (SEK 000s)	1 jan 2012	Disposals	Allocated	Utilized	Time Value	Paid	Exchange difference	Revaluated	Group as per 31 Dec 2012	Whereof short-term	Whereof referred to Parent company
Asset retirement obligation costs	528,422		15,553		45,805		-31,126		558,654	-	-
Tax related provisions	43,036		54,936	-15,709		-12,406	-2,535		67,322	-	-
Other provisions	8,447						-475		7,972	-	-
Total	**579,905**	**-**	**70,489**	**-15,709**	**45,805**	**-12,406**	**-34,135**	**-**	**633,948**	**-**	**-**

Asset retirement obligations
Asset retirement obligations are reported as provisions based on the present value of the costs which are expected to be required to fulfil the obligation, using the estimated cash flows. The discount rate used takes into account the time value of money and the risk specifically relating to the liability, as assessed by the market. Reported asset retirement obligations relate to the Group's oil and gas properties in region North and West Africa and the expected date of the outflow of asset retirement obligations is from 2014 to 2018. During the year, new provisions totalled SEK 8.7 million (15.6) and as at 31 December 2013 the Group's calculated provisions for asset retirement obligations amounted to SEK 191.1 million (558.7).The change in provision and in corresponding assets is due to farmed out Tunisian assets and expensed estimated decommissioning costs related to abandonment of the Azurite field.

PA Resources applies the Full Cost Method, which means that the counterpart to the reported provision is capitalised as an asset and amortised. Future changes in provisions based on the time value of money are recognised as a financial expense. Assumptions are reviewed annually and changes in provisions are capitalised or reversed against the corresponding asset. For further information refer to Note 2.4 Critical accounting principles, estimates and assumptions.

Tax-related provisions
As at 31 December 2013, tax-related provisions amounted to SEK 52.9 million (67.3.) and relate to estimated income tax costs and tax surcharges attributable to subsidiaries in region North and West Africa. The sum reserved was reported as an income tax expense in the income statement and as a provision in the balance sheet.

Note 25 Accounts payable and other liabilities

	Group		Parent company	
SEK 000s	**31 Dec. 2013**	**31 Dec. 2012**	**31 Dec. 2013**	**31 Dec. 2012**
Accounts payable non-interest bearing	113,170	169,054	3,046	3,030
Liabilities against other related parties	418,197	-	-	-
Other current liabilities	26,122	38,214	373	376
Accrued vacations pay	2,180	1,955	2,180	1,955
Accrued interests	61,866	44,013	59,386	42,228
Accrued operating and drilling costs	59,858	194,735	-	-
Accrtued issue expenses	-	101,651	-	101,651
Other accrued expenses and prepaid income	35,103	23,917	21,870	1,682
Total accounts payable and other liabilities	**716,496**	**573,539**	**86,855**	**150,922**

Accounts payable and other short-term liabilities are not interest-bearing, have a short expected term and are recognised at the nominal amount with no discounting. Accounts payable usually fall due within 30 days and other short-term liabilities within a year. The Parent company's liabilities to Group companies are classified as long-term, see Note 26 Financial instruments.

Note 26 Financial instruments

Financial assets and liabilities by valuation category - Group

2013 (SEK 000s)	Loans end receivables	Other financial liabilities	Total carrying amount	Fair value	Level Fair value*
Financial assets					
Non-current assets					
Other financial assets	346		346	346	Level 3
Total	**346**		**346**	**346**	
Current assets					
Accounts receivable and other receivables	173,381		173,381	173,381	**
Cash and cash equivalents	402,513		402,513	402,513	**
Total	**575,894**		**575,894**	**575,894**	
Financial liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings		1,433,304	1,433,304	1,407,018	Level 1/2
Total		**1,433,304**	**1,433,304**	**1,407,018**	
Current liablities					
Current interest-bearing loans and liabilities		760,989	760,989	753,469	Level 1/2
Accounts payable and other liabilities		234,894	234,894	234,894	**
Total		**995,883**	**995,883**	**988,363**	

2012 (SEK 000s)					
Financial assets					
Non-current assets					
Other financial assets	1,055		1,055	1,055	Level 3
Total	**1,055**		**1,055**	**1,055**	
Current assets					
Accounts receivable and other receivables	257,730		257,730	257,730	**
Cash and cash equivalents	57,631		57,631	57,631	**
Total	**315,361**		**315,361**	**315,361**	
Financial liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings		399,832	399,832	395,030	Level 1/2
Total		**399,832**	**399,832**	**395,030**	
Current liablities					
Current interest-bearing loans and liabilities		2,287,978	2,287,978	2,055,169	Level 1/2
Accounts payable and other liabilities		407,802	407,802	407,802	**
Total		**2,695,780**	**2,695,780**	**2,462,971**	

Financial non-current assets and current assets comprise other financial assets in the form of deposits for leased drilling equipment and other shares and participations.

Accounts receivable and receivables from partners are not discounted due to their short term. Accrued interest income and accrued oil income are also included. Cash and cash equivalents comprise liquid funds.

Non-current liabilities and current liabilities comprise long- and short-term interest-bearing loans and borrowings. Accounts payable and payables to partners are not interest-bearing and are not discounted due to their short term.

Accrued interest expense and accrued exploitation and drilling expenses are also included.

Valuation method for fair value

Fair value of the Group's interest-bearing borrowings and loans is determined using DCF method using discount rate that reflects the issuers borrowing rate as at the end of the reporting period.

* For a definition of the levels in the fair value hierarchy that fair value is attributable to, see Note 2 Accounting principles etc, section "Financial instruments, Fair value measurement."

** For these items, book value is considered to approximate fair value.

Cont. Note 26

Financial assets and liabilities by valuation category – Parent company

2013 (SEK 000s)	Loans end receivables	Other financial liabilities	Total carrying amount	Fair value	Level Fair value*
Financial assets					
Non-current assets					
Receivables Group companies	3,065,841		3,065,841	3,065,841	Level 3
Receivables from partners	502,123		502,123	502,123	Level 3
Total	**3,567,964**		**3,567,964**	**3,567,964**	
Current assets					
Prepaid expenses and accrued income	693		693	693	**
Cash and cash equivalents	363,434		363,434	363,434	**
Total	**364,127**		**364,127**	**364,127**	
Financial liabilities					
Non-current liabilities					
Liabilities Group companies		1,881,930	1,881,930	1,881,930	Level 3
Non-Current interest-bearing loans and liabilities		1,433,304	1,433,304	1,407,018	Level 1/2
Total		**3,315,234**	**3,315,234**	**3,288,948**	
Current liablities					
Accounts payable		3,046	3,046	3,046	**
Current interest-bearing loans and liabilities		535,999	535,999	528,480	Level 1/2
Accrued expenses and prepaid oncome		59,386	59,386	59,386	**
Total		**598,431**	**598,431**	**590,912**	

2012 (SEK 000s)					
Financial assets					
Non-current assets					
Receivables Group companies	3,930,357		3,930,357	3,930,357	Level 3
Total	**3,930,357**		**3,930,357**	**3,930,357**	
Current assets					
Prepaid expenses and accrued income	6		6	6	**
Cash and cash equivalents	16,134		16,134	16,134	**
Total	**16,140**		**16,140**	**16,140**	
Financial liabilities					
Non-current liabilities					
Liabilities Group companies		1,334,712	1,334,712	1,334,712	Level 3
Non-current interest-bearing loans and liabilities		350,965	350,965	346,163	Level 1/2
Total		**1,685,677**	**1,685,677**	**1,680,875**	
Current liablities					
Accounts payable		3,030	3,030	3,030	**
Current interest-bearing loans and liabilities		1,936,110	1,936,110	1,703,301	Level 1/2
Accrued expenses and prepaid oncome		42,228	42,228	42,228	**
Total		**1,981,368**	**1,981,368**	**1,748,559**	

Financial non-current assets and current assets comprise interest-bearing receivables from Group companies and other shares and participations. Receivables from partners are not discounted due to their short term. Accrued interest income is also included. Cash and cash equivalents comprise liquid funds.

Non-current liabilities and current liabilities comprise bond loans and the short-term portion of interest-bearing loans and borrowings. Accounts payable and payables to partners are not interest-bearing and are not discounted due to their short term. Interest-bearing liabilities to Group companies and accrued interest expenses are also included. As at the end of the preceding financial year, at 31 December 2013, no financial instruments valued at fair value existed in PA Resources' balance sheet.

Valuation method fair value

Fair value of the Group's interest-bearing borrowings and loans is determined using DCF method using discount rate that reflects the issuers borrowing rate as at the end of the reporting period.

* For a definition of the levels in the fair value hierarchy that fair value is attributable to, see Note 2, Accounting policies, section "Financial instruments, Fair value measurement."

** For these items, the book value is considered to approximate fair value.

Cont. Note 26

Result from financial assets and liabilities by valuation category - Group

2013 (SEK 000s)	Loans and receivables	Derivatives*	Other financial liabilities	Total result from financial assets and liabilities	Result from non-financial assets and liabilities	Total result
Net financial items						
Interest (income/expenses)	1,628	-	-255,919	-254,291	-	-254,291
Changes in value (net gains/losses)	-	-	-16,569	-16,569	-34,152	-50,721
Exchange rate changes (net gains/losses)	7,017	-	92,839	99,856	-	99,856
Total	**8,645**	**0**	**-179,649**	**-171,004**	**-34,152**	**-205,156**

2012 (SEK 000s)						
Net financial items						
Interest (income/expenses)	2,141	840	-377,832	-374,851	-	-374,851
Changes in value (net gains/losses)	-4,666	-	-165,782	-170,448	-52,997	-223,445
Exchange rate changes (net gains/losses)	-253	-	-768	-1,021	-	-1,021
Total	**-2,778**	**840**	**-544,382**	**-546,320**	**-52,997**	**-599,317**

* Financial liabilities valued at fair value through profit or loss.
Financial assets and liabilities had no impact on the Group's operating profit as set out in the statement above.
As at the end of the preceding financial year, at 31 December 2013, no financial instruments valued at fair value existed in PA Resources' balance sheet.

Result from financial assets and liabilities by valuation category - Parent company

2013 (SEK 000s)	Loans and receivables	Derivatives*	Other financial liabilities	Total result from financial assets and liabilities	Result from non-financial assets and liabilities	Total result
Net financial items						
Interest (income/expenses)	51,441	-	-235,550	-184,109	-	-184,109
Changes in value (net gains/losses)	-	-	-16,569	-16,569	8,570	-7,999
Exchange rate changes (net gains/losses)	1,355	-	91,325	92,680	-	92,680
Total	**52,796**	**0**	**-160,794**	**-107,998**	**8,570**	**-99,428**

2012 (SEK 000s)						
Net financial items						
Interest (income/expenses)	62,495	-	-331,103	-268,608	-	-268,608
Changes in value (net gains/losses)	-	-	-125,394	-125,394	-11,294	-136,688
Exchange rate changes (net gains/losses)	-365,867	-	4,005	-361,862	-	-361,862
Total	**-303,372**	**0**	**-452,492**	**-755,864**	**-11,294**	**-767,158**

* Financial liabilities valued at fair value through profit or loss.
Financial assets and liabilities had no impact on the Parent company's operating profit as set out in the statement above.
As at the end of the preceding financial year, at 31 December 2012, no financial instruments valued at fair value existed in PA Resources' balance sheet.

Note 27 Shares in subsidiaries

The Parent company's shares in the respective segments/region are categorised below. The region Other includes the Parent company in the presentation of the Group's income statement and balance sheet, see Note 6 Segment information.

Subsidiary	Corporate identity number	Domicile	Legal entity	Currency	Share of equity	Book value (SEK 000s) in Parent company
Segment North Africa						
Hydrocarbures Tunisie El Bibane Ltd	54230F	Jersey	Limited company	GBP	100	1,955
Hydrocarbures Tunisie Corp	79423B	Bahamas	Limited company	USD	100	11,748
PA Resources Overseas Ltd	3313969	Great Britain	Limited company	GBP	100	890,300
PA Resources Tunisia Pty Ltd	002410102	Australia	Limited company	AUD	100	
Segment West Africa						
PA Energy Congo Ltd	1015422	Br.Virgin Islands	Limited company	USD	100	1
PA Resources Congo Sa	09 B 846	Republic of Congo	Limited company	CFA	100	
Osborne Resources Ltd	85416	Bahamas	Limited company	USD	100	18,088
Segment North Sea						
PA Resources Denmark ApS	31080037	Danmark	Limited company	DKK	100	175
PA Resources UK Ltd	5152884	Great Britain	Limited company	GBP	100	451,715
PA Resources North Sea Ltd	5470844	Great Britain	Limited company	GBP	100	
PA resources E&P Services LTD	07824915	Storbritannien	Limited company	GBP	100	11
Total						**1,373,993**

Parent company acquisitions in shares in subsidiaries

(SEK 000s)	
At 1 January 2013 acquisition cost	**2,190,823**
Capital contribution	325,420
Impairment loss	-1,142,100
Merger Microdrill AB	-150
At 31 December 2013 acquisition cost	**1,373,993**

Note 28 Pledged assets and contingent liabilities

	Group		Parent company	
Pledged assets (SEK 000s)	**31 Dec. 2013**	**31 Dec. 2012**	**31 Dec. 2013**	**31 Dec. 2012**
The pledged assets can be broken down as follows:				
Shares in subsidiaries	468,691	430,292	18,088	18,088
Oil inventory attributable to payment of royalty in kind	-	6,555	-	-
Total pledged assets	**468,691**	**436,847**	**18,088**	**18,088**
Contingent liabilities (SEK 000s)				
Contingent liabilities are broken down as follows:				
Contingent liabilities attributable to the acquisition of PA Energy Congo Ltd	14,000	14,000	14,000	14,000
Total contingent liabilities	**14,000**	**14,000**	**14,000**	**14,000**

Contingent liabilities
In connection with the acquisition of the subsidiary PA Energy Congo Ltd (formerly Adeco Congo BVI Ltd) there is a possible future liability to the sellers to pay a maximum amount of USD 2 million depending on future oil production achieved. Liabilities with pledged collateral see Note 23, Interest-bearing loans and borrowings.

Note 29 Related party disclosure

Transactions entered into between the Group, independently of one another, and related parties "at arm's length" are described below:

Related party transactions between the Parent company PA Resources AB and its subsidiaries and between the subsidiaries themselves relate both to third party costs which are invoiced on in full without any surcharge and to general costs and payroll costs in the home country which are invoiced on the basis of established Transfer Pricing Agreements within the Group. Investments in subsidiaries are primarily financed via external borrowing by the Parent company.

Outstanding loans between the Parent company and subsidiaries are regulated on the basis of established Transfer Pricing Agreements and loan agreements within the Group. For information on the Group companies and the Parent company's shareholding in subsidiaries refer to Note 27 Shares in subsidiaries.

Gunvor Group has during the year increased its stake in PA Resources and is per 31 December 2013 holding 35.9%. Gunvor Group received commissions for its underwriting commitments in connection with this years´ rights issues. Gunvor Group serves as an off-taker of crude oil and PA Resources has a reserve-based lending (RBL) facility with the company, see note 23. The trading of crude oil and the terms of the RBL facility is in accordance with market conditions.

During the financial year the usual directors' fees as resolved by the Annual General Meeting were paid to the Board. Apart from directors´fees, PA Resources has with starting date May 15 2013 and ending date October 15, paid a monthly fixed payment to Phipro Consulting Ltd, through which boardmember Philippe R Probst provided his services as acting CEO of the company on consultancy basis. After the termination of the contract at October 15 Philippe R Probst has in addition received remuneration in an amount of SEK 215 thousand (0) pertaining to consultancy work performed in the fourth quarter.

In addition, Board members were reimbursed for expenses. For further information on salaries, directors' fees, pension expenses, share-based remuneration and other benefits to related parties refer to Note 8 Remuneration and other benefits: Board of Directors and senior executives of the Parent company.

No guarantees have been issued for any outstanding loans, receivables or liabilities in respect of related parties. Neither have any guarantees been given nor assets pledged to or received by any related party. Outstanding loans and receivables in respect of related parties are deemed secure as at the balance sheet date.

Note 30 Parent company's result from interests in Group companies

During 2013 the Parent company wrote down intra-Group receivables amounting to SEK 1,200 million and shares in subsidiaries by SEK 87 million as a result of the abandonment of the Azurite field. Further the Parent company wrote down an intra-Group receivable by SEK 185 million as a result of the impairment of license Block 9/06 (Gita) in Denmark. The Parent company received dividend from subsidiaries totalling SEK 293 million.

In connection with the farm out of the offshore assets in Tunisia, which was conducted in the second quarter 2013, the Parent company wrote down shares in subsidiaries by SEK 1,055 million.

During 2012 the Parent company wrote down an intra-Group receivable by SEK 1,799 million in connection with the impairment of the Group's working interest in the West Africa region. In addition, the parent company wrote down intra-Group receivables by SEK 88 million and SEK 45 million, respectively, as a result of the relinquishment of licence 9/95 (Maja) in Denmark and the Marine XIV licence in the Republic of Congo. During 2012 the Parent company received dividends from subsidiaries totalling SEK 1,895 million.

The amounts concerned are specified below.

SEK 000s	Jan.-Dec. 2013	Jan.-Dec. 2012
Impaiment losses Intercompany receivables	-1,384,825	-1,931,364
Impaiment losses participations in Group companies	-1,142,100	-
Dividend recieved	292,878	1,895,341
Total financial expenses (net)	**-2,234,047**	**-36,023**

Note 31 Significant events after the closing date

Governmental approval has been recieved for PA Resources' farm-ot of a 60 percent working interest in the Mer Profond Sud exploration area in Congo to SOCO, announced on 4 November 2013. The transaction is still subject to regulatory approval to enter into the third and final period of the licence.

Note 32 Financial risk

In its operations, PA Resources is exposed to various types of financial risk. Financial risk arises when refinancing and credit risks as well as changes in interest rates and exchange rates affect the Group's operating profit, cash flow and value. Financial risk is managed and controlled in accordance with the strategy adopted by the company's Board of Directors. This also constitutes the single most important financial control instrument for the Group's financial activities. In line with the overall targets, PA Resources manages the financial risks that the Group is exposed to. The Board reviews and approves strategies for managing each of these risks, which are summarised below.

Financing and refinancing risk
PA Resources' operations require funding for maintenance, development and exploration of the Group's licenses and assets. Should cash flow from operations become insufficient, the Group may require additional capital in order to acquire assets or for investments in existing licences. Refinancing risk is defined as the risk that financing or refinancing is troublesome or costly to secure. PA Resources has access to financing via the money market and the equity market, but all financial markets are not available for the company at any given time; accordingly, PA Resources continuously monitors and evaluates financing and refinancing possibilities over time. Relations with banks in respect of loan requirements, foreign currency requirements and cash management are coordinated centrally by the Group's Treasury function. The Group's total outstanding interest-bearing loans and borrowings amounted to SEK 2,194 million (2,688) on 31 December 2013, maturing at various times between 2014 and 2016. In 2013, PA Resources repaid a bond loan of SEK 850 million and NOK 90 million according to plan on an amortising bond loan with an original nominal amount of NOK 900 million. In addition, the company has amortised USD 27 million on the reserve based lending facility. For more information, see Note 23.

Liquidity risk
Liquidity risk is defined as the risk of PA Resources being unable to meet its obligations to repay its liabilities on time or at a reasonable cost. The Group's management of its capital structure aims to create a balance between equity and loan financing to ensure financing of the business at a reasonable cost of capital. As far as possible the Group endeavours to finance growth and ongoing investments from the cash flow it has generated itself. Since operations are capital-intensive, however, this is supplemented with money market financing using bonds and bank loans as well as equity market financing through the issue of new shares and convertibles. In view of the financing risk and PA Resources' capital-intensive business, the Group aims always to have sufficient funds in cash and loan facilities to meet the needs that are expected to arise in the coming twelve months, and liquidity is monitored continually in order to meet forthcoming payment requirements. Ultimately, the Board monitors the Group's capital structure and financial management, approves certain matters relating to acquisitions, investments and borrowing, and monitors ongoing exposure to financial risk.

Oil price risk
The price of oil and gas is set in the world market and to a significant extent is dependent on various factors that the Group is unable to affect. Oil and gas prices have fluctuated substantially over the last few years and many indicators point to continuing volatility in the future. A significant decline in the price of oil and gas could negatively affect the Group's operations, profits and financial position. PA Resources operates a policy of not hedging the oil price of future sales, but this is reviewed on an ongoing basis by management. In 2013, PA Resources conducted no hedging of its production and, at year-end, PA Resources held no financial derivatives for hedging oil prices. Under the assumption of constant 2013 production, 1,663 (2,888) tbbl and that the average USD/SEK exchange rate for the year of 6.51 (6.78) remains the same, a movement in the oil price of USD 10 per barrel has a positive/negative effect on the Group's revenues of SEK 108 million (196).

Fall due profile on PA Resources Group financial liabilities

	31 December 2013				31 December 2012			
SEK 000s	< 1 year	1-2 years	2-5 years	> 5 years	< 1 year	1-2 years	2-5 years	> 5 years
Interest-bearing loans and borrowings	1,036,114	322,815	1,457,563	-	1,606,417	695,315	913,327	-
Accounts payable and other liabilities	113,170	-	-	-	169,054	-	-	-
Total	**1,149,284**	**322,815**	**1,457,563**	**0**	**1,775,471**	**695,315**	**913,327**	**0**

The table shows future undiscounted cash flows, at year-end rates, related to financial interest-bearing liabilities and the net of derivatives related to these liabilities. The variable interest rate on liabilities and derivatives as per 31 December 2013 is assumed until maturity.

Interest rate risk
Interest rate risk is the risk of market interest rates moving in such a manner that PA Resources' net interest expense is negatively affected. The effect of a change in interest rates on the Group's operating profit depends on the loans and the investments fixed term and on the proportions of variable and fixed interest rates. Normally, the interest rates of interest-bearing liabilities vary from fixed interest to 3-month interest rates. PA Resources can utilise interest swap agreements for which the interest rate can change from fixed to variable and vice versa to manage interest rate exposure. At year-end, the average interest rate fixing period was 1.6 (1.5) years. Utilising interest rate exposure at 31 December 2013 as a basis, a change in the market rate of interest of one percentage point would have a positive/negative effect on the Group's net financing of SEK 0.0 million (0.0). The simulation assumes a parallel shift in all interest rate curves and does not take into consideration any currency or maturity differences. As no interest-bearing instruments are recorded as available-for-sale, the impact is the same on other comprehensive income before tax.

Foreign currency risk
PA Resources is exposed to fluctuations in the foreign exchange markets, as fluctuations in exchange rates can negatively affect operating profit, cash flow and equity. The major of PA Resources' assets are attributable to international oil and gas discoveries valued in USD and which generate revenues in USD. The Group can hedge these assets naturally by borrowing in USD, and in cases where loans are in local currencies, the Group can utilise currency swap contracts to hedge these borrowings. The market value of all outstanding contracts at 31 December 2013 was SEK 0.0 million (0.0), and the value of all outstanding contracts resulted in an unrealised effect on the profit at 31 December 2013 of SEK 0.0 million (0.0).

Transaction risk
Transaction exposure arises in cash flow when invoicing or the costs of invoiced goods and services are not in local currency. The majority of PA Resources' revenues and expenses are in USD - the former from the sale of oil and gas in the international market, and the latter through operation costs, operating rental costs, etc. Discrepancies - mainly pertaining to costs in local currencies in the Group's subsidiaries - affect the Group's operating profit. Expected or budgeted flows are not hedged at present.

Cont. Note 32

Translation risk
Exchange rate changes affect PA Resources in conjunction with the translation of the income statements of foreign subsidiaries to SEK, as the Group's operating profit is affected and when net assets in foreign subsidiaries are translated to SEK which can negatively affect the Group's equity. PA Resources does not hedge its translation exposure, and fluctuating foreign exchange rates could negatively affect the operating profit and financial position of the Group.

Currency sensitivity in transaction and translation exposure
International oil operations are conducted primarily in USD, both as regards revenue and expenses, however, PA Resources also has minor exposures in TND, GBP, EUR, NOK and DKK. A concurrent 10% change in each currency against SEK would have a positive/negative effect on the Group's profit of SEK ±11 million (18), of which the exposure in USD/SEK accounts for positive/negative SEK ±20 million (17) of the total. The sensitivity analysis is based on revenue and expenses as well as on balance sheet items in the 2013 full-year report and does not take into consideration any market changes that could occur with volatile currencies.

Credit risk

Credit risks in financial operations
Credit risk exposure arises from the investment of cash and cash equivalents and from counterparty risk attributable to trading in derivatives. Both investment of cash and cash equivalents and trading in derivatives are primarily performed by the Group's Treasury function and are normally limited to banks with a strong credit rating included in PA Resources' medium- to long-term financing. PA Resources strives to establish ISDA agreements with its counterparties in transactions with derivatives, which means that if a counterparty enters into liquidation, liabilities are offset against assets. At the balance sheet date, 31 December 2013, cash and cash equivalents and financial investments amounted to SEK 403 million (58).

Credit risks in operations
PA Resources is also exposed to the risk of not receiving payment from customers for deliveries of oil and gas. The Group normally delivers oil in large quantities in liftings, whereby a tanker load, depending on the oilfield, corresponding to between 60,000 and 950,000 barrels, is delivered against payment within 15–45 days. These deliveries are made only to a small number of recognised creditworthy parties, primarily major international oil and gas companies and traders. The Group's deliveries are governed by annual contracts, and Group policy is to check the creditworthiness of all customers who wish to do business on credit. In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is minor. In past years the Group has had only very few minor bad debt losses, and had none whatsoever during the past year. Given its customer structure and past experience, the Group has assessed that credit insurance need not be taken out.

Below is an analysis of the Group's total outstanding accounts receivable and other receivables over time as per balance sheet date, along with provisions for bad debts. As at 31 December 2013, total provisions for bad debts amounted to SEK 794 thousand (795).

Timing analysis accounts receivable and other current receivables

(SEK 000s)	Group 2013		Group 2012	
Receivables past due but not recognised as impairment losses:	**Total exposure**	**Fair value**	**Total exposure**	**Fair value**
Not overdue	438,424	438,424	710,564	710,564
past due < 30 days	169	169	-	-
past due 30 - 60 days	221	221	-	-
past due 60 - 90 days	443	443	495	495
past due 90 - 120 days	-	-	-	-
past due > 120 days	1,106	1,106	2,860	2,860
Total	**440,363**	**440,364**	**713,919**	**713,919**

Provisions for bad debts (SEK 000s)	**Group 2013**	**2012**
Ingoing balance amount as per 1 January	-795	-845
Provision charge for the year	-	-
Reversed provisions	-	-
Actual credit losses (write-downs)	-	-
Currency rate effect	1	50
Total provisions as per 31 December	**-794**	**-795**

Proposed distribution of earnings

The following amounts are at the disposal of the Annual General Meeting (SEK)	
Retained earnings	–1,198,779,191
Share premium reserve	2,888,394,185
Net result for the year	–2,559,277,762
Total	**–869,662,768**

The Board of Directors proposes the accumulated loss of SEK -3,758,056,953 to be settled against Other capital contribution with SEK 2,888,394,185 and that the remaining accumulated loss of SEK -869,662,768 to be covered by reduction of the Statutory reserve. The Board of Directors and President declare that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and give a true and fair view of the Group's financial position and results of operations. The Annual Report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the Parent company's financial position and results of operations.

The statutory Administration Report of the Group and the Parent company provides a fair review of the Group's and the Parent company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent company and the companies included in the Group.

Stockholm 20 March 2014

Sven A. Olsson
Chairman of the Board

Philippe R. Probst
Board member

Paul Waern
Board member

Philippe R. Ziegler
Board member

Nils Björkman
Board member

Mark McAllister
President & CEO

Our audit report was presented on 20 March 2014

Ernst & Young AB

Björn Ohlsson
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Pa Resources AB, corporate identity number 556488-2180

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of PA Resources AB for the year 2013 except for the corporate governance statement on pages 30-39. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 23-80.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 30-39. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of PA Resources AB for the year 2013. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. The Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 30-39 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence which we have obtained is sufficient and appropriate in order to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have obtained a sufficient basis for our opinion. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, 20 March 2014
Ernst & Young AB

Björn Ohlsson
Auktoriserad revisor

Information for shareholders

Annual General Meeting 2014

The Annual General Meeting (AGM) of PA Resources AB (publ) will be held on Wednesday, 16 April, 2014 at 10:00 p.m. (CET) in Stockholm at Citykonferensen, Polhem, at Malmskillnadsgatan 46. Registration for the AGM will commence at 9:15 p.m.

Attendance
Shareholders who wish to attend the AGM must:

- be listed in the register of shareholders maintained by Euroclear Sweden AB on Thursday, 10 April 2014, at the latest, and must
- notify the Company of their intention to attend the AGM not later than 4:00 p.m. (CET) on Thursday, 10 April 2014.

Notification
Registrations can be submitted:

- Via e-mail: bolagsstamma@paresources.se
- Via homepage: www.paresources.se
- Via mail to: PA Resources AB, Kungsgatan 44, 3 tr., S-111 35, Sweden
- Via telephone: +46 8 545 211 50

On notification, shareholders must provide their name, personal ID/corporate registration number, address, telephone number and registered shareholding and, where applicable, the names of any assistants and proxies.

In respect of representation by proxy, the power of attorney must be in writing. It must be dated and signed. An original power of attorney must be submitted to PA Resources in good time prior to the AGM. Proxy forms are available from the company and from the company's website www.paresources.se. Representatives of legal entities must produce a certified copy of the certificate of incorporation or equivalent authorisation documents.

An admission card will be sent at least four days prior to the AGM to those shareholders that have notified their attendance of the AGM. Shareholders must bring this admission card to the AGM. The admission card should be presented at the entrance to the hall used for the AGM. If a shareholder has no admission card a new admission card can be issued on presentation of identification.

Notice of the AGM and other information is available on www.paresources.se at least four weeks prior to the AGM.

Nomination Committee

The Nomination Committee's tasks include preparing proposals for election of Board members and auditors, fees etc. The Nomination Committee for 2014 comprises the following members:

- Dirk Jonker, appointed by Gunvor Group
- Garrett Soden, appointed by Lorito Holdingsm Ltd
- Göran Ågerup, appointed by Ågerup Fastigheter AB
- Sven A. Olsson, Chairman of the Board, appointed by the AGM 2013

Shareholders may submit proposals to the Nomination Committee at any time via e-mail to: valberedningen@paresources.se. Proposals must be submitted in good time prior to the AGM for the Nomination Committee to be able to take the proposal into consideration.

Financial information 2014–2015	
Interim report Quarter 1 (January – March)	16 April 2014
Annual General Meeting 2014	16 April 2014
Interim report Quarter 2 (January – June)	18 July 2014
Interim report Quarter 3 (January – September)	29 October 2014
Year-end report (Quarter 4)	4 February 2015

Distribution policy
A printed copy of the Annual Report is sent on request and can be ordered by sending an e-mail to ir@paresources.se. All of PA Resources' Annual Reports from the year 2000 onwards are available on our website under Investors/Financial Reports.

Give us your feedback
Can we improve the Annual Report or our Interim Reports? We welcome your suggestions and viewpoints by e-mail to ir@paresources.se.

Subscribe to news and reports
Follow PA Resources by subscribing for press releases and financial reports via e-mail or RSS. Register your details on www.paresources.se.

Guide to PA Resources' accounting

This is a brief explanation of some of the key items in PA Resources' financial statements and accounting. The full accounting principles are detailed under Note 2 on pages 51-56.

Significant revenue and expenses

Oil production

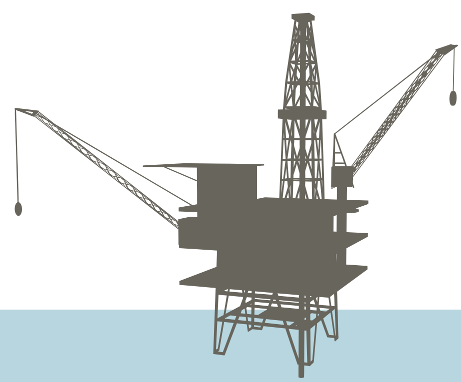
PA Resources' recognised revenue is principally based on the volume of oil produced and which is vested in the Group. The Group receives a share of each respective field's total production that corresponds to the Group's working interest in the field. This means that revenue corresponds to production prior to deductions for royalties and tax oil (more information about this is available on the right).

When the oil is produced it is initially stored until the customer collects the oil via liftings. Oil that is not sold remains in own inventory. The outstanding own inventory of oil is stated at fair value at the end of the period and recognised as revenue. This means that oil that is vested in PA Resources is recognised as revenue irrespective of whether it was sold in the period or not.

Significant balance sheet items

Exploration and evaluation assets

Exploration and evaluation assets comprise acquired licence/concession rights and capitalised exploration and evaluation expenditure. Expenditures for exploration and evaluation assets are reported according to the full cost method and all costs attributable to exploration, drilling and evaluation of such interest are capitalized in full. When PA Resources appraises and assesses an exploration permit as profitable a plan for development (POD) is applied for. On receiving the POD, the asset is reclassified under oil and gas properties. If the asset is relinquished to the



Expenses

Cost of sales
– Production costs

One of the largest cost items for the Group is production costs which are included under the item Cost of sales. This includes costs for such as day-to-day operation, leasing of equipment and vessels as well as maintenance and repair of the Group's production facilities. Production costs are to large extent fixed costs.

Cost of sales
– Royalty expenses

Oil that has been produced and which has or will be paid to the state in the form of royalties, either by barrel of oil or through a cash payment, are recognised gross in the income statement. Produced royalty oil is included under total revenue and vary thus with the level of production. The corresponding royalty expense is recognised in the income statement item Cost of sales.

Depreciation

Depreciation mainly relates to oil- and gas properties. Depreciation starts in conjunction with the start of production and is depreciated in line with the production in relation to the estimated total proven and probable reserves of oil and gas. Technical installations and equipment are subject to linear depreciation over the assets' expected useful life.

Impairment losses

PA Resources continuously assesses its exploration and evaluation assets as well as its oil and gas properties for any need of impairment. This review is performed annually or more frequently if there are events or changes in circumstances that indicate that carrying values of assets may not be recoverable. Such indications include changes in the Group's business plans, relinquished licenses, changes in raw materials prices leading to lower revenues, and, for oil and gas properties, downward revisions of estimated reserve quantities.

Testing for impairment losses is performed for each cash generating unit, which corresponds to license right, production sharing agreement or equivalent, owned by PA Resources. Consequently, a cash generating unit usually corresponds to each acquired asset in each country in which PA Resources conducts exploration and development operations. If an asset is impaired, an impairment loss is immediately recognised in the income statement. It does however not have an impact on cash flows. The impairment also decreases the value of the asset in the balance sheet and decreases equity with the corresponding amount.

government authorities or is assessed as unprofitable, the asset is expensed by PA Resources through recognition as an impairment loss in profit or loss.

Oil and gas properties

Oil and gas properties comprise reclassified exploration and evaluation assets, capitalised development expenses and decommissioning costs. Depreciation commences for the actual asset in conjunction with the start of production. Assets are continuously tested for any possible need for impairment, for example, when the size of oil and gas reserves decreases, the asset is expensed through recognition as an impairment loss in profit or loss.

In general, the book value increases, which is the amount reported in the balance sheet, from the time when the licence was acquired and then in line with investment outlays. The book value decreases in line with amortisation and depreciation which is performed on an ongoing basis during production on the licence or when PA Resources, at some stage, makes an impairment of the licence value. The book value does not necessarily correspond to the market value of an asset.

Interest-bearing loans and borrowings

The Group's interest-bearing loans and borrowings, long and short-term, comprise bond loans, convertible bonds and various types of credit facilities. The convertible bond is defined as a compound financial instrument, which means its classification is split between interest-bearing liabilities and equity.

PA Resources' total liabilities, both long and short-term, include the Group's interest-bearing loans and liabilities as well as tax liabilities, provisions and accounts payable and other liabilities. Only interest-bearing liabilities are included in the calculation of the debt/equity ratio. For more information, see Note 23 Interest-bearing loans and borrowings on page 70.

Provisions for asset retirement costs

After their operations have ceased, oil companies are obliged to restore the oil field's area. Therefore, those expenses the Group is expected to incur for each licence pertaining to restoration is measured repeatedly and provision is made for these future costs. For more information, see Note 2.4 Critical accounting principles and Note 24 Provisions on page 71.

Working capital

PA Resources' working capital consists of short-term non-interest bearing receivables and liabilities where the largest items included in short-term receivables are related to accounts receivables and accrued income of crude oil. Accrued income of crude oil is accumulated until a lifting of the oil takes place. Thereafter the oil is sold and invoiced to the customer. Short-term liabilities mainly include accounts payables and accrued operating and drilling costs. These vary over time in relation to agreed work programs including maintenance and drilling programs.

Worth knowing about taxes

Reported tax

Tax rates and tax laws not only vary between the countries in which PA Resources operates, they also vary between different oil and gas licences in the same country. In certain countries and licences, no corporation tax is recognised. However, all forms of corporation tax are calculated on taxable profit for each individual oil field at the applicable tax rates. Reported tax may also include deferred tax, which means that the tax is allocated over a period and paid later or not at all.

In certain countries and licences, tax oil is recognised that applies to oil produced which, in addition to any royalty, is to be delivered to the state. Tax oil is included in total revenue and the corresponding tax oil expense is recognised within the framework of reported tax. At present, the only licence agreements held by PA Resources where tax oil is delivered to the state are in the West Africa region.

Tax paid

The tax reported in the cash flow statement is the tax paid in the form of corporation tax by the Group.

Worth knowing about exchange differences

The Group is impacted by changes in exchange differences that affect the income statement and the balance sheet. The Group's functional currency is Swedish kronor, but the Group also conducts business in several countries with other currencies. For example, oil and gas properties are valued by the market in USD and generate revenue in USD, while borrowing and costs are primarily in USD but also in local currencies.

Accordingly, changes in exchange rates impact the Group in connection with cross-border transactions, in part on the balance sheet date when the assets and liabilities are translated from the local functional currency to the Group's presentation currency and when borrowed currency is translated to the respective company's functional currency at the exchange rates applicable at the date of translation. Read more in Note 33, Financial risks.

Glossary

Anomaly: An abrupt increase in seismic amplitude that can indicate the presence of hydrocarbons.

Appraisal well: A well drilled to determine the extent and scope of a petroleum find.

Barrel: Oil production is often given in numbers of barrels per day. One barrel = 159 litres, 0.159 cubic metres. In English the abbreviations bbl (barrel) or stb (stock tank barrel) are often used.

Barrels of oil equivalent: Unit of volume used for petroleum products. An indication used when oil, gas and NGL are to be summarised. Abbreviated boe. (see oil equivalents)

Block: A country's exploration and production area is divided into different blocks that indicate the geographical layout.

Blowout: A blowout is the uncontrolled discharge of oil, gas or water from an oil well

BOE: Barrels of oil equivalent

Boepd: Barrels of oil equivalent per day

Bopd: Barrels of oil per day

Brent oil: A reference oil for the various types of oil in the North Sea. West Texas Intermediate (WTI) and Dubai are other reference oils. Oil is priced in relation to these reference oils.

Condensate: A mixture of the heavier elements of natural gas, i.e. pentane, hexane, heptane etc. The gas is a liquid at atmospheric pressure.

Continental shelf: A gradual, rapidly deepening seabed on a continental plate. The ocean area between Norway, Denmark and the UK is for example a continental shelf. The continental shelf is generally situated at a depth of 0-500 metres and is concluded in a continental slope.

Contingent resources: Estimated recoverable volumes from known accumulations that have been confirmed through drilling but which do not yet fulfil the requirements for reserves.

Crude oil: The oil produced from a reservoir, after associated gas is removed in separation. A fossil fuel formed by plant and animal matter several million years ago.

Cubic foot/meters: Unit of volume for gas, most often given in billions of cubic feet/meters.

Discovery: One or several gathered occurrences of oil or gas in a well, where tests, samples or logs have confirmed hydrocarbons to be present. The definition includes both commercial and technical discoveries. The discovery will receive the status of a field when a plan for development and operation has been approved by the authorities.

Exploration well: A common term for wildcat and wells drilled when exploring for oil and gas, to gather facts about the petroleum's quality, the bedrock's make-up, the reservoir's extent and location etc.

Farm in/farm out: The holder of interest in an oil licence may transfer (farm out) shares to another company in exchange for this company taking over some of the work commitments in the licence, such as paying for a drilling or a seismic investigation within a certain period. In return, the company brought in receives interest in any future revenues. If the conditions are met the company may retain the interest if not the interest is taken back by the original holder.

Fault: A fracture within rock structures where relative motion has occurred across the fracture surface.

Flaring: Controlled burning of gas that must be released for safety reasons at an oil production facility. Used when impossible to utilize the gas.

FPSO-vessel: Floating, Production, Storage and Offloading vessel used in an oil field.

FDPSO-vessel: Floating, Drilling, Production, Storage and Offloading vessel used in an oil field.

Gas field: A field containing natural gas. The gas can contain larger or smaller amounts of condensate which is separated as a liquid when the gas is produced (the pressure and temperature drop).

Hydrocarbons: The compounds comprised of the basic elements hydrogen (H) and carbon (C). If an occurrence primarily contains light hydrocarbons, they are most often in gas form in the reservoir, and are called a gas field. If it is primarily heavy hydrocarbons, they are in liquid form in the reservoir, and called an oil field. Under certain conditions both can exist in the reservoir where a gas cap lies above the oil. Oil always contains a certain element of light hydrocarbons that are freed in production, also known as associated gas.

Injection well: A well where gas or water is injected to give pressure support in a reservoir. By injecting gas, water or both into a reservoir, one can increase the degree of recovery by maintaining the pressure and thereby forcing the hydrocarbons into the production well.

Jack-up rig: A type of drilling rig used when drilling oil wells at sea. Is anchored to the seabed.

Licence: A licence is a permit granted to an oil company from the government of a country to look for and produce oil and gas. Oil and natural gas assets are usually owned by the country in which the oil or natural gas is discovered. The oil companies obtain permission from the respective country's government to explore for and extract oil and natural gas. These permits can be called concessions, permits, production sharing contracts or licences depending on the country in question. A licence usually consists of two parts: an exploration permit and a production licence.

LNG (Liquefied natural gas): Liquid dry gas, primarily methane that has transformed to liquid form upon cooling to minus 163 °C at atmospheric pressure. One ton of LNG corresponds to approximately 1,400 cubic meters of gas. LNG is transported by special vessels.

Natural gas: A mixture of hydrocarbons in gas form found in the bedrock, usually 60–95 percent methane.

Net Entitlement share: The proportion of revenue, production or reserves and resources that accrue to the oil company after deductions for royalties and taxes.

NGL (Natural gas liquids): Liquid gas that consists of three different gases: ethane, propane and butane, as well as small amounts of heavy hydrocarbons. The gas
is partially liquid at atmospheric pressure. The gas is transported by special vessels.

Offshore: Designation for operations at sea.

Onshore: Designation for operations on land.

Oil equivalents: Abbreviated o.e. An indication used when oil, gas and NGL are to be summarised. The concept is tied to the amount of energy released upon combustion of different types of petroleum. Because oil equivalents depend on the amount of energy, it is not constant and different conversion factors are used. In "Oil Field Units", 5,800 cubic feet of gas = 1 barrel of oil equivalents. According to the Norwegian Petroleum Directorate, 1,000 standard cubic metres of gas = 1 standard cubic meter of oil equivalents.

Operator: A company, which on behalf of one or more companies in a partnership and with approval of the country's authority, leads the work on an oil and gas licence or a field.

OSS-vessel: Oil Storage Service vessel.

Petroleum: Collective term for hydrocarbons, whether they occur in solid, liquid or gas state(s).

Platform: An installation used during the production of oil or gas. Oil operations at sea are conducted from both floating platforms and platforms fixed to the seabed.

Play: A conceptual model used for analyzing a geographically and stratigraphic delimited area, where a specific set of geological factors must be present for producible volumes to be proven. Such geological factors are a reservoir rock, trap, mature source rock, migration routes, and that the trap was formed before the migration of hydrocarbons ceased.

Produced water: Is the water produced from an oil well together with oil, gas or other hydrocarbons. The water is separated from the hydrocarbons and purified before it is pumped back down into the reservoir or are taken care of in other ways.

Production well: A well used to extract petroleum from a reservoir.

Proven and Probable reserves 2P: Proven and Probable reserves with a probability in excess of 50% of extraction in the current economic climate.

Proven reserves 1P: Extraction assessed as having a probability in excess of 90% in the current economic climate.

Reservoir: The sedimentary rock in which hydrocarbons are accumulated as a result of good porosity (lots of cavities in the stone) and from which hydrocarbons can be produced as a result of high permeability (presence of flow channels that can transport the oil).

Risked prospective resources: Prospective accumulations of hydrocarbons which have yet to be proven through drilling. Includes resources classified under Leads. Consideration is taken in respect of the likelihood of making discoveries.

Seismic: Seismic surveys are made to be able to describe geological structures in the bedrock. At sea, sound signals are transmitted from the ocean surface, and the echoes are captured. Such surveys can among other things be used to locate occurrences of hydrocarbons.

Sidetrack: Drilling from an existing well path towards a new well target.

Source rock: The geological formation in which oil and gas were created and originate.

Sweet crude oil: Crude oil containing low levels of sulfur compounds, especially hydrogen sulfide [H2S] and carbon dioxide. The facilities and equipment to handle sweet crude are significantly simpler than those required for other potentially corrosive types of crude oil.

Terminal: A land facility that receives and stores crude oil and products from oil production at sea. The oil is transported to the terminal by tanker or through pipelines.

Trap: A trap is a geologic structure or a stratigraphic feature capable of retaining hydrocarbons in a reservoir. It might be a change in rock type with zero permeability, unconformities, folds, faults etc in the bedrock that prevent the hydrocarbons to migrate from the reservoir.

Well: A hole drilled down to a reservoir to look for or extract oil or gas.

Wildcat well: The first well drilled when exploring for oil and gas on a new, defined geological structure (a prospect).

Working Interest (WI): The proportion of revenue, production or reserves that accrue to the oil company before taxes, royalties and other curtailment.

Through the interpretation of 3D seismic data new discoveries of oil and gas can be found, resources can be calculated and fluid flow through the reservoir can be predicted. In 2013, PA Resources primarily focused on the analysis and evaluation of data on licenses in Denmark, Republic of Congo (Brazzaville) and Germany.

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