

PA Resources takes measures to preserve liquidity and summons bondholders' meetings

PA Resources AB ("PA Resources", the "Company") announces that it has initiated actions in order to preserve liquidity until a long term financing plan can be presented, and in this respect the Company has today summoned a bondholders' meeting for the Company's NOK denominated bond and initiated a written procedure for the SEK denominated bond. PA Resources is actively working to prepare and execute a financing plan for 2015 and onwards that addresses the Company's upcoming investment program and debt position. In this respect:

- The lack of visible progress with approvals in Tunisia means that the execution of a longer term financing plan for 2015 and beyond has to be postponed while awaiting relevant approvals
- The Company proposes to holders of NOK and SEK bonds to accept to defer the upcoming interest payments in October 2014 until 5 April 2015
- The Company has reached a conditional agreement with its largest creditor and shareholder, Gunvor Group, that unpaid interest together with future interest payments on the secured credit facilities will be rolled up to and including 31 March 2015, subject to the bondholders' agreement to the proposal above
- Actions to preserve cash without disrupting ongoing business or future values of developments has been initiated
- The outcome of PA Resources' first comprehensive independent report of Reserves and Contingent Resources largely confirmed PA Resources' internal estimates of volumes and values
- The proposal to bondholders enables continued progress on the ongoing investment and development plans, which aims to take 35 mmbob of net Contingent Resources into production starting from 2017. Significant amounts of equity will be needed in a full financing plan, which is not currently available to PA Resources pending clarity on outstanding approvals in Tunisia

– Management and the board of directors are of the opinion that the proposed amendment of the terms of the bond issues combined with the roll up of interest on the secured credit facilities and other cash preserving actions will give us the necessary time to prepare and execute a long-term financing plan in the best interest of all stakeholders following clarification of the situation in Tunisia, says Mark McAllister, CEO of PA Resources.

Background

In recent years, PA Resources has struggled to overcome challenges inherited from several legacy issues, in particular the failed investment in the Azurite field which resulted in material losses for the Company and has led to the Company's recent financial difficulties. During 2013 and 2014, the Company with its new management has taken several measures to reduce financing and execution risk while progressing the Company's asset portfolio, including:

- Raising SEK 815 million in new equity capital during 2013
- Maturing of development plans on key assets
- Completion of farm-outs in the Company's assets in Denmark and the Republic of Congo and the farm-out agreement in the offshore Tunisian assets pending approvals
- Commissioned a third party review of Reserves and Contingent Resources by independent consultant firm ERC Equipoise ("ERCE")

As previously communicated, and in accordance with the plans presented in connection with the equity and bond financings in 2013, PA Resources is working to establish a financing plan for 2015 and onwards that addresses the funding of the material investments required to realise the value of its asset portfolio. It is the Company's view that a significant amount of new equity is required in order to fund the planned operations through 2015 and beyond, and the Board expects that PA Resources' debt position will need to be addressed through the execution of the financing plan.

The scope of the financing plan is dependent on the outcome of ongoing government approval processes in Tunisia, concerning the Company's farm-down transaction to EnQuest plc and a license extension on the Company's Zarat license, which includes the Zarat and Elyssa fields. Due to the materiality of the assets related to these approvals, the Company's view is that it is not able to raise new equity capital until further clarity is achieved in Tunisia. In the meantime, the Company is examining ways of preserving liquidity and has taken actions in order to do so without disrupting ongoing business or future value of asset developments.

In late September and early October the Company has scheduled interest payments on its (i) Working Capital Facility ("WCF"), (ii) Reserve Based Lending ("RBL") facility, (iii) NOK bonds and (iv) SEK bonds (together the "Debt Facilities") amounting to a total of USD 22 million, whereof USD 21 million relates to interest payments on the Company's bonds (split USD 7 million and USD 14 million for the NOK and SEK bond issues respectively). Given its current liquidity position, the Company will not be able to settle these interest payments in cash and hence proposes to defer all interest payments on all its Debt Facilities.

The Company has reached an agreement with its largest creditor and shareholder, the Gunvor Group, for the upcoming interest payments under the WCF and RBL facilities. Under this agreement, Gunvor accepts that all unpaid interest (in total USD 1 million) together with future interest payments will be rolled up to and including 31 March 2015. The agreement is however conditional upon the acceptance by the bondholders in the NOK and SEK bond issues of the proposed amendments which have been summoned for.

It is the view of the Company's management and board of directors that a timely execution of the proposal is in the best interest of all PA Resources' stakeholders. Approval of the proposed amendments will give the Company necessary time to prepare and execute a long-term financing plan following clarification of government approval processes in Tunisia, securing transparency on the future of PA Resources' key assets and developments.

Overview of outstanding bonds and interest-bearing loans

PA Resources currently has two bond issues outstanding, a NOK 675 million senior unsecured bond maturing in April 2016 and a SEK 750 million senior unsecured bond maturing in March 2016. The bond issues carry an interest of 12.25% p.a. and 13.50% p.a., respectively. In addition, the Company has USD 85 million and USD 28 million, combined c. SEK 803 million, outstanding to the Gunvor Group under the RBL and WCF facilities, maturing in December 2015 and March 2015 respectively and both carrying a coupon interest of 7.50% p.a..

Proposal to bondholders

Instead of settling the interest payments on the bonds through cash payment on the interest payment date, the Company proposes that the upcoming interest payments in October are deferred until 5 April 2015, and that

such deferred interest will carry an additional interest rate equivalent to the prevailing interest rate under the respective bonds (being 12.25% p.a. for the NOK bonds and 13.50% p.a. for the SEK bonds).

The proposal to bondholders is further described in the summons documents to the Bondholders' Meetings. The summons will be provided to all bondholders in the NOK and SEK bonds by the respective trustees and bondholders may vote by proxy as further described in the summons documents. The bondholders' meeting in relation to the NOK bonds will be held, and the written procedure in relation to the SEK bonds will expire, on 3 October 2014. The Company has retained Pareto Securities and Swedbank Norway as its financial advisers.

Independent Review of Reserves and Resources

PA Resources has commissioned ERCE to conduct an independent third party review of the Company's Reserves and Contingent Resources as of 30 June 2014. Historic reserve reports by PA Resources have been based on a combination of internal, operator and third party estimates, and as such the review by ERCE is the Company's first comprehensive independent reserve report of its assets. The review is now in the final stages, and the Company plans to release the summary report at the latest together with its Q3 report on 29 October 2014. Preliminary numbers indicate total 2P Reserves of 6.8 mmbbl and total 2C Contingent Resources of 26.6 mmbbl + 220 bcf (hydrocarbon gas only) across the portfolio. The total unrisksed 2P+2C NPV10 is estimated to be USD 587 million. All numbers are subject to final confirmation; however no significant changes are expected. More detail on Reserves, Contingent Resources and 2P+2C NPV10 valuation is shown in the presentation shown on the Company's web page (www.paresources.se).

The review conducted by ERCE has largely confirmed the Company's estimates of recoverable volumes from its main production and development assets. As part of the audit, Zarat liquids have been re-categorised from Reserves to Contingent Resources as the field development is being revised.

More details are shown in the presentation available on the Company's web page (www.paresources.se).

Stockholm, 18 September, 2014

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Forward-looking statements

This press release contains forward-looking statements that reflect management's current views with respect to future events and potential financial performance. Although PA Resources believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results can differ materially from those set out in the forward-looking statements as a result of various factors. You are advised to read this press release, the summons to the relevant Bondholders' Meeting and the information referred to therein, in their entirety. In light of these risks, uncertainties and assumptions, it is possible that the events described in the forward-looking statements in this press release may not occur.

PA Resources AB (publ) is an international oil and gas group which conducts exploration, development and production of oil and gas assets. The Group operates in Tunisia, Republic of Congo (Brazzaville), Equatorial Guinea, United Kingdom, Denmark, Netherlands and Germany. PA Resources is producing oil in West Africa and North Africa. The parent company is located in Stockholm, Sweden. PA Resources' net sales amounted to SEK 1,049 million in 2013. The share is listed on the NASDAQ OMX in Stockholm, Sweden. For additional information, please visit www.paresources.se.

The above information has been made public in accordance with the Securities Market Act and/or the Financial Instruments Trading Act. The information was published at 08:00 a.m. CET on 18 September 2014.