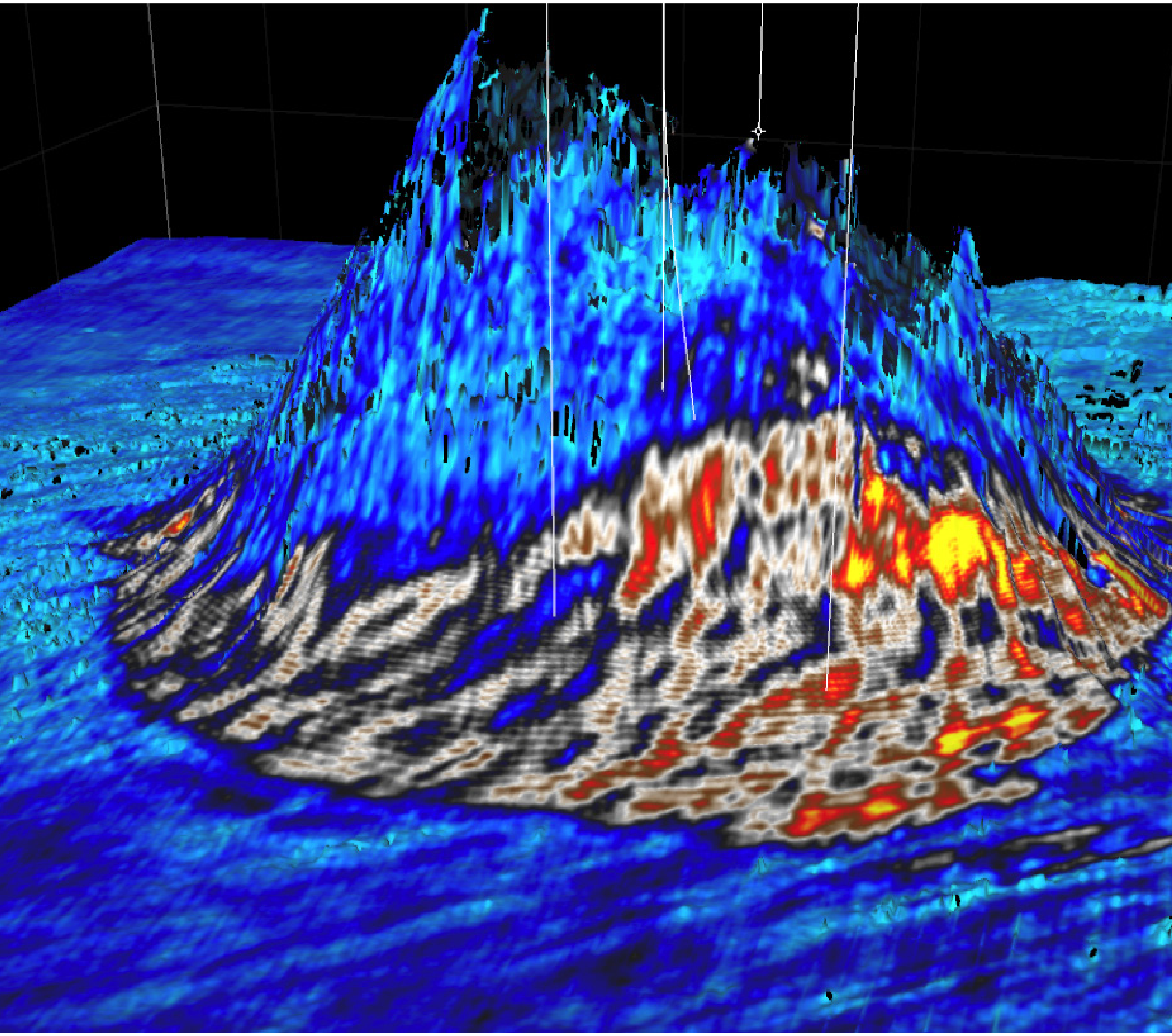
PA Resources
Annual Report 2014



Perspective view of the Lille John structure showing in grey to orange colours the oil-bearing sandstone reservoir (approximately 7 million years old) caught up on the eastern flank of a large structure caused by the vertical movement of salt. The salt was deposited some 250 million years ago but due to its low density and plastic behaviour has moved upwards over time, piercing through younger rock layers in a fashion akin to rising fluid in a `lava lamp'.

PA RESOURCES

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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 18 oil and gas licenses, of which 6 are in production and 12 in the exploration/appraisal phase.
- Operator of 9 licenses and partner in the other licenses.
- The group has a total of 116 employees in London, Stockholm and Tunisia.
- Domiciled and head office in Stockholm, Sweden.
- Listed on the NASDAQ in Stockholm, Sweden.

Assets

6 assets in North Sea

- UK 3 licenses
- Denmark 1 license
- Netherlands 1 license
- Germany 1 license

8 assets in North Africa

- Tunisia 8 licenses

4 assets in West Africa

- Republic of Congo (Brazzaville) 1 license
- Equatorial Guinea 3 licenses

Reserves and resources

(million barrels of oil equivalent)

3.7 1P reserves

5.4 2P reserves

143 Contingent resources

172 Risked prospective resources

2014 Key events

2014

Q1

Successful long term drill stem test at Diega Field in Block I, Equatorial Guinea

Farm-out of 60 percent of interest in the Mer Profonde Sud Permit in Congo to SOCO received governmental approval.

PA Resources signed a one-year working capital facility of USD 50 million with Gunvor as lender.

Q2

Jérôme Schurink was elected as new chairman of the board of directors and Mark McAllister as a board member.

Farm-out of 40 percent of interest in Danish license 12/06 to Dana Petroleum completed.

The 9/06 (Gita) license was relinquished.

Q3

PA Resources ownership of 70 percent of its interest in the Didon concession was transferred to EnQuest.

Third party review of reserves and contingent resources as of 30 June 2014 undertaken by independent audit firm ERC Equipoise was published.

Q4

The bondholders of PA Resources' NOK and SEK denominated bonds approved PA Resources' proposal that interest payments due in October 2014 be deferred to February 2015.

Disposal of PA Resources 30 percent interest in Netherlands offshore Blocks Q7 and Q10a to Tulip Oil.

PA Resources reported impairment charges of SEK 2,100 million and breached the financial covenants in its bond loans.

Farm-out agreement for the transfer of 70 percent interest in the Didon Field and the Zarat Permit to EnQuest was terminated.

PA Resources was provisionally awarded 25 percent of Blocks 22/18c and 22/19d in a UK licensing round.

2015

Key Financials 2014

	2014	2013
Average sales price, USD	96	108
Average production, barrels per day	3,100	5,000
Revenue, SEK million	603	1,049
EBITDA, SEK million	-480	-494
Operating profit, SEK million	-2,667	-1,234
Profit before tax, SEK million	-3,032	-1,439
Earnings per share after dilution, SEK	-26.13	-21.54
Profit margin, %	-502.7%	-137.2%
Equity per share before dilution, SEK	-7.15	15.86
Equity/assets ratio, %	neg	32.9%
Debt/equity ratio, %	neg	99.8%

Statement from the CEO

Last year, in my first Annual Report as CEO, I noted that PA Resources was in the midst of a renewal process designed to secure the long term health of the business. This process included a strategic programme of portfolio rationalisation to be followed by a restructuring of the company's finances in order to realise the value of our exploration, appraisal, development and production assets.

This process continued in 2014 during which we saw the first fruits of the farm-out campaign, a successful appraisal well of the Lille John discovery in which we were fully carried, and the first ever comprehensive third-party audit of the company's reserves and contingent resources. However, the renewal process has been seriously affected by two external factors, the delay in receiving approvals in Tunisia, which continued throughout 2014, and the decline in the oil price in the latter part of the year. Despite these challenges, I remain convinced that PA Resources has the right combination of assets and expertise to be successful in this new price environment as long as we have the right financial structure and funding in place.

Financial overview

Average production during the year decreased to 3,100 barrels per day (5,000). This was the first full year without production from the Azurite Field which ceased production in November 2013 and has now been decommissioned. Decline in other producing assets was in line with expectations. During the year a workover programme was undertaken to install an electrical submersible pump (ESP) on well D6 in the Didon Field. This added several hundreds of barrels of production per day for several weeks until the pump failed and we are currently looking at options for restoring this production.

Group revenue amounted to SEK 603 million (1,049) in 2014. Revenue decreased as a result of this lower production together with the rapid decline in the oil price in the second half of the year. The Group's cash flow from operations was SEK -108 million (-379). This negative cash flow is mainly attributable to contractual lease payments made for the Azurite production vessel after the field had ceased production.

Capital expenditure during the year totalled SEK 166 million, which was lower than our SEK 200 million forecast. Main elements of the investment were drilling of the successful Diega appraisal well and an exploration seismic campaign in Tunisia.

As a result of the drastic fall in oil prices PA Resources announced impairments with a net equity impact of some 2,100 MSEK in the fourth quarter 2014. As a result of this a balance sheet for liquidation purposes was prepared but the shareholders followed the board's recommendation and decided to carry on operations at a EGM February 27 2015.

Appraisal and Development Progress

The PA Resources team worked very closely with their counterparts in ETAP, the Tunisian state oil company, throughout 2014 in generating a robust Plan of Development for the Zarat Field which is not only a very important part of the company's core asset value but also has the potential to significantly boost Tunisia's declining indigenous gas production.

This work began with the geological fundamentals of the field and screened a wide range of potential development options with emphasis on a commercially attractive and environmentally sound method for dealing with large quantities of carbon dioxide in the Zarat gas.

During the year, operatorship was transferred to SOCO for the MPS exploration license in Congo and to Dana Petroleum for the 12/06 license in Denmark which includes the Broder Tuck and Lille John discoveries. In both cases, PA staff have continued to work with the new operators to ensure smooth progress. In the final quarter of the year, Dana drilled a successful appraisal well of the Lille John discovery which proved the geological model and a sidetrack which will help us produce a better estimate of recoverable oil volumes.

If we can maintain similar progress on these key assets during 2015 then PA Resources will be well placed to benefit from softening service costs as we move into the capital intensive development phase of these projects.

Refinancing process

As I mentioned above, our plan to launch a comprehensive refinancing package during the second half of 2014 to enable us to bring the company's key assets to production was postponed due to the lack of progress in Tunisia. Instead we agreed deferrals of interest payments with the company's lenders in October 2014 and then in February 2015. The drastic fall in oil prices from the summer 2014 further hampered our plans to land a long term financing solution and at the end of January EnQuest decided to withdraw from the farm out agreement signed in May 2013 as a result of the oil price development combined with the absence of Tunisian approvals, which removed one of the key elements of our portfolio rationalisation programme.

Since the discussions and negotiations with key stakeholders did not advance as quickly as had been expected PA Resources applied for a formal company reconstruction at the end of March 2015. At the time of writing, agreement regarding financing for the remainder of 2015 has been reached with the company's major creditors. These agreements now have to be formalised and the board of directors will be monitoring the situation closely to ensure progress is maintained. The board is also considering all options open to it for the future of the business, including continued operations with the current portfolio, a corporate transaction and disposal of some or all of the company's assets and subsidiaries. Should we choose the latter option there is a very substantial value gap between realisable values and current book values in PA Resources.

Stockholm, June 2015
Mark McAllister, President and CEO

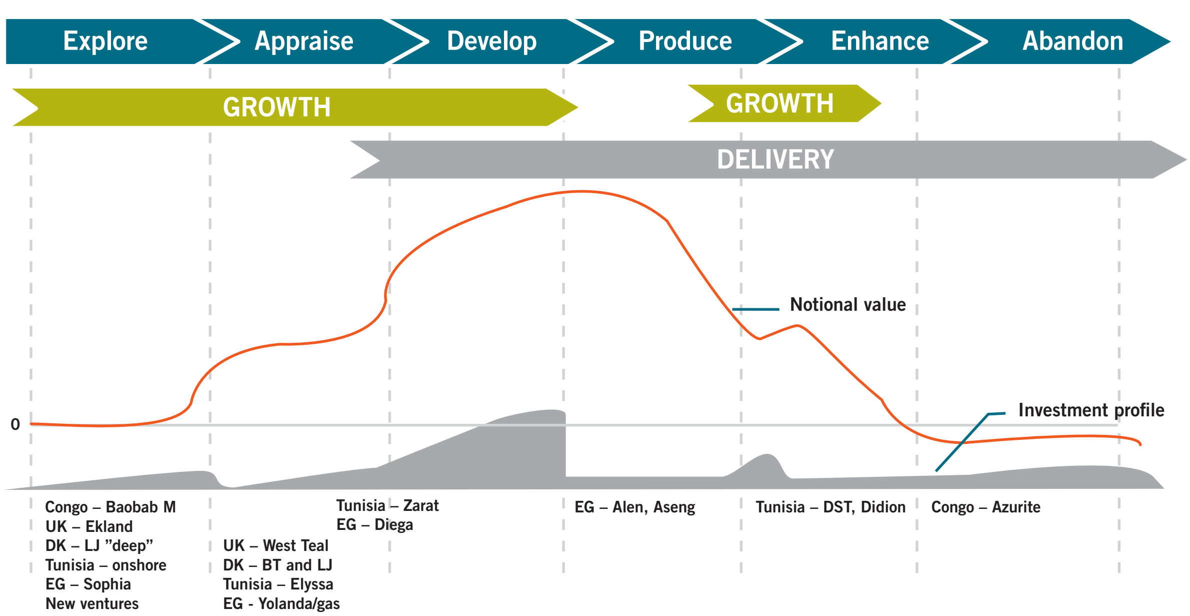
Business model

PA Resources' historic growth resulted from a combination of the acquisition of companies and assets at various stages of the E&P cycle and through successful exploration, in particular in Equatorial Guinea, Denmark and in Norway, which the company divested at a considerable premium in 2009. These acquisitions were made at a time when capital was freely available to the industry. Presently such conditions do not exist but through its history and its successful exploration, the company has built industry and government relationships and an asset base in several countries in Africa and the North Sea which spans all phases of the E&P cycle from exploration to decommissioning. In addition the company has built up competences in subsurface evaluation, A&D activities, joint venture management and, in Tunisia, production operations. Following the changes in management in 2013, a strategy has been formulated for the company which builds upon these assets, positions, relationships and competences.

PA Resources looks to be active across all phases of the E&P cycle but to focus its internal resources in those phases where substantial value growth can be achieved and is consistent with its main competences, specifically the subsurface-intensive exploration, appraisal and field enhancement stages. Through its divestment transactions in Denmark, Congo and anticipated in the future in Tunisia, it seeks to bring in larger companies with more extensive resources to manage the development and production phases.

Revenues realised through field production and to a lesser extent through divestment/dilution transactions are deployed to fund entry into new assets utilising the company's subsurface and commercial competences, local knowledge and relationships. There is a preference for lower cost entries that involve either discovered resources, material exploration or have synergy with existing assets. As these assets progress through the explore, appraise, develop cycle, scope exists to realise some or all of the value gain through farm-outs or divestments whilst retaining lower and more readily-funded interests as fields move into the capital-intensive development phase.

- **Exploration:** Subsurface skills and knowledge are utilised to identify and access new licenses and to determine the optimum locations to test through drilling. Successful exploration results in new discoveries of oil and gas such as the fields in the company's licenses in Equatorial Guinea and Denmark.
- **Appraisal:** Appraisal activities are required to quantify the potentially recoverable volumes termed as contingent resources. Detailed subsurface and engineering studies along with commercial negotiations allow fields to be progressed to the point of being able to sanction a commercial field development. Fields such as Broder Tuck and Lille John in Denmark are in this phase of activity.
- **Development:** Sanction of a field development commences the major period of capital expenditure in building facilities and drilling production wells. Contingent resources are converted to reserves at this phase and asset value reaches a maximum as the field enters production.
- **Production:** When a field is brought into production, the sale of oil and gas generates cash flow which can be reinvested in continued exploration, appraisal and development activities.
- **Enhancement:** Typically after some years of production, additional wells will be drilled to commercially recover remaining hydrocarbons not being optimally accessed by existing wells.
- **Abandonment:** Following cessation of production it is necessary to safely plug and abandon all wells with multiple downhole barriers to prevent any leakage to surface. Surface facilities and some or all of the subsea equipment and pipelines are removed for disposal, re-use or recycling. This phase can take several years to plan and to safely and cost-effectively execute.



Reserves and resources

PA Resources' reserves and resources are comprised of the volumes of oil, gas and other hydrocarbons that are assessed as being contained in the group's fields and licenses. In 2014 ERC Equipoise was formally appointed as the Group's reserve auditor, and completed a full independent mid-year review of PA Resources' reserves and resources, closely in line with the Group's own assessments. Reserves reduced during the year due to production and due to a re-assessment of the economically recoverable volumes given a downward revised oil price forecast at year-end. Reserves and resources were also restated to reflect the termination of the farm-out of the offshore Tunisian assets, which at year end 2013 had been assumed to complete. However the main change in reserves during 2014 was the re-categorisation of liquid volumes in the Zarat Field in Tunisia from reserves to contingent resources as the field development plan is under revision.

Facts about the reserves and resources

Reserves

ERC Equipoise ('ERCE') were appointed as the Group's reserves auditor in 2014 and as advised at year-end 2013, the Group's reserves and contingent resources were audited by ERCE at mid-year 2014. Audited reserves were revised at year-end 2014 utilising a Brent oil price per barrel (real, 2015) of USD 65 (2015), USD 75 (2016) and USD 90 flat thereafter, with 2 percent inflation per annum. In addition production, reserves and reserve revisions were amended to reflect the termination of the Tunisian transaction with Enquest. PA Resources' reserves are classified according to the 2007 Petroleum Resources Management System (SPE-PRMS 2007) guidelines and classification.

PA Resources' reserves consist of oil or condensate and are contained in the Tunisian fields Douleb and Tamesmida and the Aseng and Alen fields in Equatorial Guinea. The annual production in 2014 reduced reserves by 1.5 million barrels oil (1.7) and at year-end 2014, proven and probable (2P) reserves totalled 5.4 million barrels of oil (31.7) on a working interest basis. Of these, 3.7 million barrels (20.7) were 1P reserves. Working interest is PA Resources' gross volume of the total fields' reserves before any reduction for royalty and the terms of production-sharing contracts, whereas net entitlement interest is PA Resources' net reserve as per production sharing contract arrangements in West Africa only. Net entitlement barrels are, in effect, post tax barrels received by the Group.

Development of reserves in 2014

Million barrels of oil	Working interest Total	
	1P	**2P**
Reserves as per 31 December 2013*	20.7	31.7
Production	-1.5	-1.5
Revisions	-15.5	-24.8
Reserves as per 31 December 2014	**3.7**	**5.4**

* PA Resources year end 2013 position is restated to reflect the termination of the Tunisian transaction with Enquest.

Reserves as of 31 December 2014

Field (million barrels)	Net economic oil reserves[1]		
	1P	**2P**	**3P**
Aseng[2]	2.63	3.80	4.81
Alen[3]	0.08	0.13	0.19
Douleb & Tamesmida	1.01	1.49	1.99
	3.72	**5.42**	**6.99**

Note:
1) All figures are net to PA based on unitised working interest.
2) Aseng reserves are oil and condensate.
Net PA entitlement reserves are 2.74 mmbo, 3.49 mmbo and 4.10 mmbo at 1P, 2P and 3P levels of confidence
3) Net PA entitlement reserves are 0.08 mmbo, 0.12 mmbo and 0.16 mmbo at 1P, 2P and 3P levels of confidence

Reserves and resources (million barrels of oil equivalent)

3.7	5.4	143	172
1P reserves	2P reserves	Contingent resources	Risked prospective resources

Contingent resources excluding inert as of 30 June 2014

Field (million barrels of oil equivalent)[2]	Net contingent resources[1]		
	1C	2C	3C
Aseng (excluding gas)	0.9	0.9	1.0
Diega (excluding gas)	1.5	2.9	5.5
Block I gas (Aseng, Alen, Diega, Yolanda)	6.5	8.6	13.3
Didon[4]	2.6	3.9	5.9
DST[4]	0.6	0.9	1.2
Zarat[3]	43.0	63.9	117.2
Elyssa[5]	26.2	42.6	70.3
Didon North[4]	1.2	2.6	5.9
El Nisr[5]	3.8	5.5	7.9
Broder Tuck[5]	3.9	5.4	7.2
Lille John	3.4	6.2	11.2
	94	**143**	**247**

Note:
1) All figures are net to PA based on unitised working interest.
2) Gas contingent resources are volumes of liquids and gaseous hydrocarbons excluding inert gas.
3) Based on 50% unitisation and prior to ETAP back-in, which can be up to 55%.
4) Contingent resources for Didon, DST and Didon North are liquids only.
5) Contingent resources for Elyssa, El Nisr and Broder Tuck are primarily gas with some condensate.

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.
- **Proven, probable and possible (3P) reserves:** With a probability in excess of 10% of extraction in the current economic climate.

  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 accumulation that have been confirmed through drilling but which do not yet fulfil the requirements for reserves. Comparable to reserves, 1C, 2C and 3C refer to low, best and high estimate of contingent resources.
- **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.

Changes in reserves in 2014

Reserve revisions in 2014 reflect largely the re-categorisation at mid-year of the Zarat Field liquids from reserves into contingent resources as the field development plan is being revised. In addition, Aseng Field reserves were adjusted at mid- and year-end to reflect improved reservoir understanding, leading to slightly increased 1P and reduced 2P reserves.

A number of small changes were made to the onshore Tunisian fields, Douleb, Semmama and Tamesmida, at mid- and year-end, including moving reserves in the Semmama Field into contingent resources pending resolution of security-related issues which have prohibited production. Finally reserves in the Didon Field were removed from reserves at year-end 2014 reflecting the field's negative cash flow under the revised oil price assumptions. The field is presently anticipated to remain in production pending initiatives to reduce the operating cost and the implementation of future infill drilling and electrical submersible pumps to increase production.

Contingent and prospective resources

In addition to its reserves, the Group has further volumes classified in accordance with the SPE-PRMS 2007 guidelines as contingent resources and risked prospective resources. These resources are shown on a working interest basis only.

Contingent resources were audited by ERCE at mid-year 2014 and have not been re-evaluated at year-end 2014 but are restated to reflect the termination of the Tunisian transaction with Enquest. Contingent resources on a 1C, 2C and 3C basis at year-end 2014 were respectively 94, 143 and 247 million barrels of oil equivalent of liquid and gaseous hydrocarbons excluding inert gases (72, 104 and 134).

Volumes presented under risked prospective resources are unaudited numbers, which represent risked mid-case estimates in prospects considered viable to drill as well as in leads not considered ready to drill. Risked prospective resources amount to 172 million barrels of oil equivalent (157).

Financing and investments

PA Resources entered into 2014 planning to release and execute a longer term financing plan in the third quarter. As a part of that plan the company entered into a USD 50 million working capital credit facility in March, which offered a flexible lending solution at attractive interest rates. However, lack of visible progress with approvals in Tunisia meant that the execution of a longer term financing plan had to be postponed awaiting relevant approvals. In October the company's lenders agreed to a deferral of payable interest until February 2015 and to work with PA Resources on a financing solution.

Development during the year

PA Resources entered into 2014 planning to release and execute a long term financing plan in the third quarter. An available second tranche of the SEK bond loan was not issued. Instead PA Resources entered into a USD 50 million working capital credit facility ("WCF") with its main owner the Gunvor Group. The WCF is a flexible funding solution with an attractive interest rate of 7.5 percent and towards which PA Resources has pledged the shares of the owning company of their Tunisian assets as security.

However, lack of visible progress with approvals of a farm-out transaction and a license renewal in Tunisia meant that the execution of a longer term financing plan had to be postponed pending relevant approvals. This resulted in a situation where PA Resources in September 2014 asked the bondholders of the Swedish and Norwegian bond loans to defer an interest payment that was due in early October until February 2015.

In October the bondholders of the two bond loans agreed to defer the payable interest until February 2015. The deferred interest carries an additional interest rate equivalent to the prevailing interest of each bond loan. At the same time Gunvor as lender of the WCF and the reserve based lending facility ("RBL"), agreed to a similar amendment where interest was deferred until February 2015 with interest payable on the deferred amount. In October the bond trustees appointed financial and legal advisors to work with PA Resources and its advisors on behalf of the bondholders on a long term financing plan.

Events during 2015

Early in February the company's lenders agreed to defer interest payments to 31 March 2015. On 24 March 2015 the company asked its bondholders to vote at bondholders meetings on 31 March to extend the interest deferral period to 30 April 2015 as more time was needed to progress the discussions between the key stakeholders. Following a perceived lack of progress in the negotiations with its creditors the board of directors decided to apply for a company reorganization on 26 March 2015. The application was approved by Stockholm District Court on 27 March 2015. The aim of the reorganization is to find a long-term financing solution for the company in agreement with its main stakeholders. The reorganization is in progress at the time of writing this report.

Investments

Total capital expenditure for 2014 amounted to SEK 166 million (271). Main elements of the investment were drilling of the successful Diega appraisal well and an exploration seismic campaign in Tunisia.

Drilling programme 2015/2016

Country/licence	Field/ Prospect	Time	Well/Number
Tunisia: Zarat	Elyssa	2016	Appraisal/1
Tunisia: DST		2015	Development/1
Denmark: 12/06	Broder Tuck	2015/2016	Appraisal/Development/1
Congo: MPS	Baobab Marin 1	2016	Exploration/1

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

Market overview

During 2014, macroeconomic trends have shown strong growth in the US, European growth lagging behind and China experiencing a slower growth rate. Central banks have kept interest rates low with stimulus packages maintained. The ongoing trends for oil demand growth in non-OECD countries and for supply growth from the United States continued. The oil price saw a significant adjustment downwards at the end of the year, driven mainly by the non-conventional resource boom of North America combined with OPEC's decision at its last meeting of the year to maintain production levels.

Trend in 2014

The centre of gravity for oil demand continued shifting from OECD countries to non-OECD countries. On the supply side, further increases in shale and tight oil production from North America put pressure on the oil price. OPEC's historical tendency to mitigate falling oil prices by cutting production was not exercised as the cartel seemed more concerned about retaining market share than higher oil prices. This decision put even further pressure on oil price thus leaving the world markets open to speculation whether market pricing is the new truth for oil. Continued unrest, primarily in the Middle East, remains a factor that increases risk levels for the global supply of oil.

During 2014, Brent oil traded at an average of USD 99 per barrel, which was USD 9 per barrel less than the preceding year. A peak of approx. USD 115 per barrel was reached in June, and a low of approx. USD 55 per barrel was recorded in December.

According to the International Energy Agency (IEA), global demand was 92.5 million barrels per day in 2014 (91.8), up 0.7 percent year-on-year.

Oil fundamentals in change

The IEA estimates demand in 2015 to be around 93.4 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 IEA expects that oil demand will increase to 104 million barrels per day in 2040, mainly driven by the transportation and petrochemicals sectors. This outlook assumes energy efficiency initiatives will be implemented on a global basis. Without such efficiency implementation, oil demand would be 23 million barrels per day (23 percent) higher than the current predictions for 2040.

The shift in energy demand from OECD countries to emerging economies in Asia and the Middle East is a trend that is continuing and which is expected to increase global demand for energy by 37 percent by 2040. The IEA predicts that China will surpass the United States as the world's largest oil consumer by 2030. To meet the increasing demand for oil, non-OPEC countries are predicted to play a significant role in the overall supply growth over the coming decade, particularly from US shale and tight oil production, Canadian oil sands and Brazilian deepwater developments. Thereafter IEA expects heavier reliance on increases in OPEC outputs to meet demand. According to IEA estimates, production from non-OPEC countries will increase from 56.6 million barrels per day in 2014 to 57.4 million barrels per day during 2015.

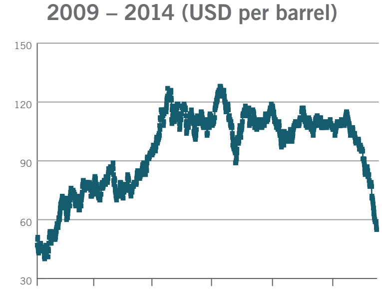
The global oil market is expected to undergo extensive regional changes, with production and consumption patterns changing. Countries in the Middle East, which historically have been large oil exporters, are forecast to have growing domestic demand. Meanwhile the IEA expects the United States, currently the world's largest importer of oil, to be largely self-sufficient by 2020. 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 uncertain and the debate remains whether we are seeing a shift in the forward curve or simply a temporary dip. Should OPEC's decision to no longer act as a stabilizer of prices stand, increased volatility can be expected in the short term.

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 reduces 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 2009 – 2014 (USD per barrel)



Source: BP and Platts

West Africa

- Continued strong production performance from the Aseng Field
- Deferral of the Diega development in order to refine the field understanding and optimise the development plan

Equatorial Guinea

Block I Production Sharing Contract

The Block I Production Sharing Contract ("PSC") is demarcated into three sub-areas; the Aseng Field plan of development ('POD') area, the Alen Field POD area (which includes the Diega discovery) and the remaining area which contains the Yolanda gas discovery. During 2014, a large state-of-the-art 3D survey was acquired over the block in order to better understand the existing fields and discoveries and to re-evaluate the exploration potential.

Aseng Field

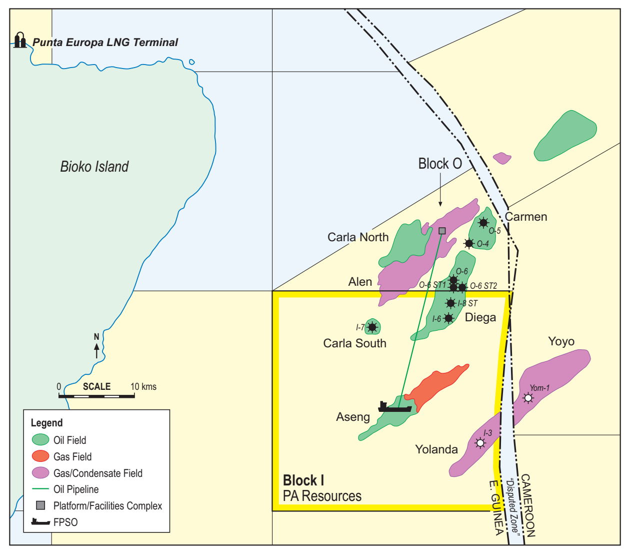
During 2014, production from Aseng Field averaged 40,700 barrels per day from four producing wells. Most of the produced gas was re-injected back into the field at aggregate rates of around 185 million cubic feet per day, and water injection maintained at rates of around 80,000 barrels per day to maintain reservoir pressure and efficient sweep of oil towards the production wells. In the second quarter, production rates were impacted by gas compression problems, but careful reservoir management maintained broadly flat production at just over 40,000 barrels per day for the following six months. Field oil production is slowly declining, but the field will remain as PA Resources' main producing field for some years yet to come.

Alen Field

The Alen Field averaged 25,700 barrels per day of condensate production from three production wells. During the year, a sidetrack to an existing production well was drilled to enhance production levels. Owing to an administrative hold-up, the Block I partners have not yet been able to lift and sell their entitlement oil from the field and it is anticipated that a catch-up cargo attributable solely to Block I will be lifted in 2015.

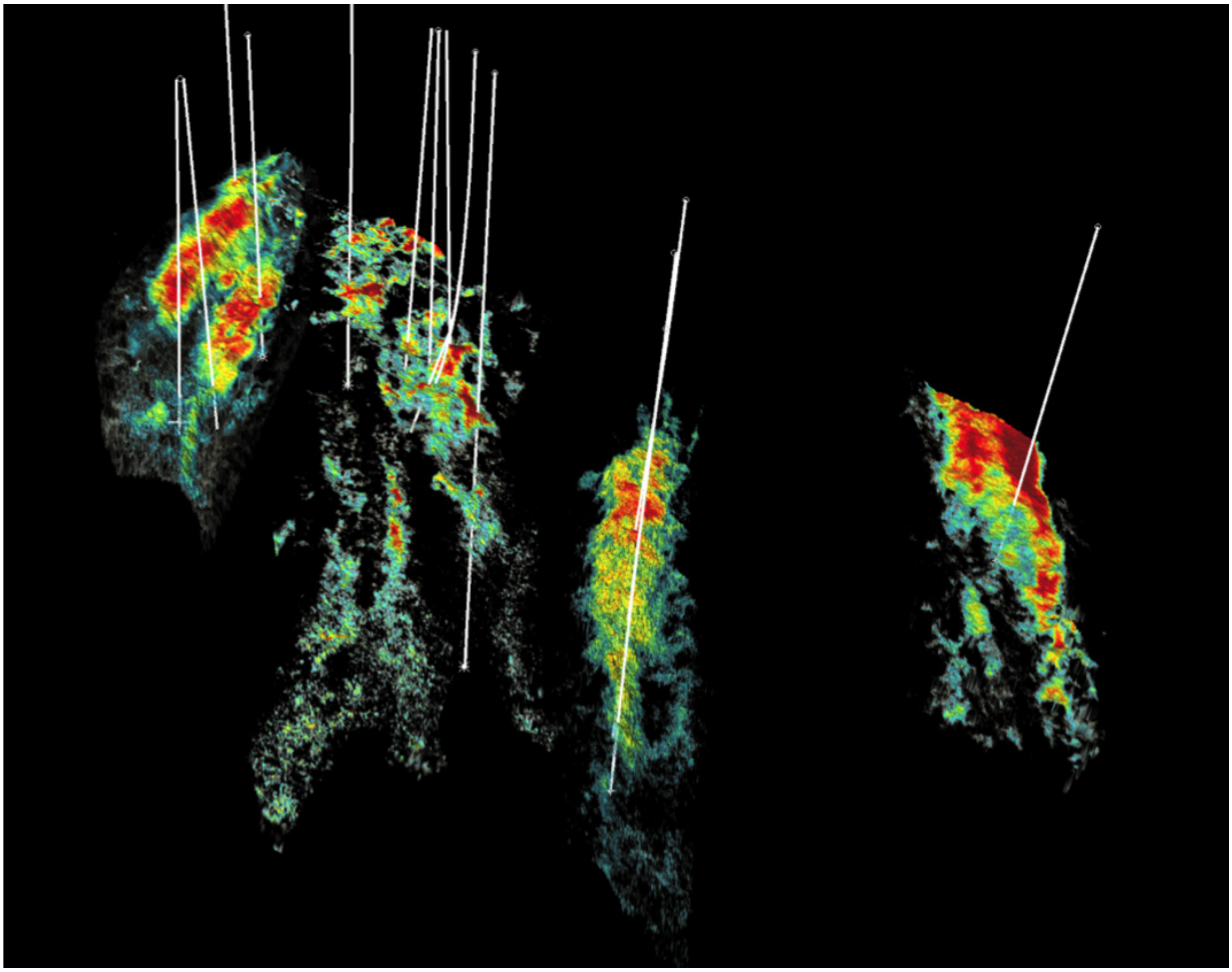
Diega Field

Following the successful 2013 long term well test on well I-8ST, which has been suspended for future use as a production well, development studies on the Diega Field continued apace in 2014. The development concept is as a tieback to the Aseng FPSO and the operator's intentions were to fast-track this development. Following extensive development studies, during the fourth quarter 2014 the partnership proposed to the Ministry of Mines, Industry and Energy to defer submission of a plan of development for the field. This deferral is to allow more time to clarify gas facilities requirements and capacity on the FPSO and to await insights from the newly acquired 3D data in order to optimise the development. It also allows time to develop the necessary commercial arrangements relating to the field extension into Block O to the north. It is anticipated that development planning will continue as an enhanced field understanding from the new 3D becomes available. The contingent oil resources attributable to Diega would be re-categorised as reserves following approval of a plan of development for the field.



EXPLORATION | **APPRAISAL**
DEVELOPMENT | **PRODUCTION**

Working interest:	5.7% (Block I and Aseng Field), 0.285% (Alen Field)
Partners:	Noble (operator, 38%), Atlas Petroleum (27.55%), Glencore (23.75%), GEPetrol (5%)
License expiry:	Aseng in Jun 2034, Alen in Jan 2036. A ten year extension can be sought. The Yolanda area is in force majeure pending resolution of median line issues.
Fields in license:	Two developed fields (Aseng, Alen), two significant undeveloped fields (Diega, Yolanda)
Unitisation:	Alen Field is unitised 5% in Block I and 95% in Block O. Diega field is likely to be unitised – current cost-sharing arrangement is 75% in Block I and 25% in Block O.
Net PA reserves:	1P 2.7 mmbo; 2P 3.9 mmbo; 3P 5.0 mmbo
Net PA contingent resources:	1C 8.9 mmboe; 2C 12.3 mmboe; 3C 19.8 mmboe



3D seismic attribute display showing, from left to right, Alen, Diega, Aseng and Yolanda fields in Equatorial Guinea. Exploration and appraisal well paths are shown by white lines. The display represents a seismic attribute which is a strong indicator of low density rock volumes, reflecting pore space occupied by gas and/or oil.

Republic of Congo (Brazzaville)

Mer Profond Sud Production Sharing Contract – Exploration area

During 2013, PA Resources was free assigned the 50 percent interest previously held by Murphy in the exploration area of the Mer Profond Sud Production Sharing Contract ("PSC"). PA Resources subsequently divested a 60 percent interest in the exploration area to SOCO. An exploration well, Baobab Marin 1, will be drilled on the RR prospect in the north-east portion of the exploration area during 2016. A drilling location was determined during 2014 and procurement of long lead items for this well is ongoing. PA Resources' costs for this well are carried by SOCO.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	25%
Partners:	SOCO (operator, 60%), SNPC (15%)
License expiry:	2016

Mer Profond Sud Production Sharing Contract – Azurite exploitation area

Completion of the abandonment of the Azurite Field and the sailaway of the Azurite FPSO occurred in the first six months of 2014. The field abandonment was completed on time and on budget and subsequently the operator, Murphy, has closed its Congolese operational office. There is a continuing obligation through to the second quarter 2016 to make monthly termination payments to the vessel owner, BWO, unless the Azurite vessel is contracted on a new project in which case these payments may cease. The vessel owner continues to actively market the vessel for new work.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	35%
Partners:	Murphy (operator, 50%), SNPC (15%)
Licence expiry:	–

North Africa

– Tunisia made substantial progress in its democratic process
– The Zarat Field development concept was finalized
– Didon cost reduction initiatives were identified and are being implemented

Tunisia

During 2014 Tunisia made substantial progress in its democratic process. A new constitution was drafted and became effective in January 2014. An interim government was formed at the same time, this interim government being in place until the new Parliament was elected. The Parliamentary elections took place in October 2014 followed by presidential elections. All elections took place in a peaceful environment and with the full election process finishing at the end of December 2014. During this period of political transition, PA Resources and the whole oil and gas sector in Tunisia has been affected with a number of important decisions delayed including license renewals.

In May 2013 PA Resources and EnQuest signed a Sale and Purchase Agreements for the transfer to EnQuest of a 70 percent interest in each of the Didon Field and the Zarat Permit. In July 2014 this transaction was completed with the remuneration retained in an escrow account awaiting a letter of non-objection from the Tunisian Authorities. Despite repeated verbal assurances from the Tunisian Authorities that such a letter was imminent, no letter was issued. The back-stop date of 31 January 2015 passed and the Didon transaction was terminated on the 31 January 2015. PA Resources returned to being the 100 percent owner of the Didon concession. As a consequence, the transaction in respect of the Zarat Permit was also terminated on 31 January 2015.

Offshore

Zarat license

The Zarat license extension has to date not been granted but a resolution is now expected in the near term. The Zarat extension has the full support of the Tunisian Authorities i.e. La Direction Générale De L'Energie (DGE) and the state oil company Entreprise Tunisienne d'Activités Pétrolières (ETAP).

The Zarat and Elyssa fields are both within the Zarat license from which the Didon Field concession was carved out.

EXPLORATION | APPRAISAL
DEVELOPMENT | PRODUCTION

Working interest:	100%, operator
Partners:	ETAP has the right to back-in up to 55%
License expiry:	Extension pending governmental approval
Fields in license:	One undeveloped field (Zarat), one field under appraisal (Elyssa)
Unitisation:	Zarat Field will be unitised – assumption in UUOA discussions is 50% in Zarat license, 50% in Joint Oil Block
Net PA Zarat Field contingent resources:	1C 43.0 mmboe; 2C 63.9 mmboe; 3C 117.2 mmboe
Net PA contingent resources other fields:	1C 31.2 mmboe; 2C 50.7 mmboe; 3C 84.1 mmboe

Zarat Field

The Zarat Field is the largest undeveloped offshore oil and gas field in Tunisia. The Tunisian Authorities consider Zarat a strategic asset for Tunisia given the country's increasing gas supply and demand imbalance. The gas short fall is expected to be over 30 percent by 2020.

The detailed work between the Zarat southern tract partners i.e. PA Resources and ETAP to develop a full field life Plan of Development (POD) has been completed. This joint work with ETAP will deliver a Zarat development concept that provides the best technical and economic solution to optimise the production of the Zarat Field. It is planned to present the joint ETAP and PA Resources POD to the Zarat northern tract partners during the first quarter of 2015 for their review and approval prior to submitting an overall Unit Plan of Development (UPOD) to the Tunisian Authorities for their approval during the second quarter.

The selected concept is a 2 stage development with stand-alone fixed facilities at Zarat tied-back to the Miskar Field platform which has an existing gas pipeline system linked to the onshore Hannibal gas processing plant. This concept takes full benefit of existing Gulf of Gabes infrastructure with spare capacity readily for use. A solution to both treat and dispose of the high CO_2 content offshore has been identified and included in the concept capitalizing again on existing local facilities to reduce cost.

Work continued between the southern and northern tract partners to develop a legally and commercially robust Zarat Unitised Unit Operating Agreement (UUOA), this work is near completion and once complete will be submitted to the Tunisian Authorities for their approval.

Elyssa Field

Delay in obtaining an extension of the Zarat license in 2014 meant that PA Resources was not able to secure a rig to drill the Elyssa appraisal well and this commitment had to be postponed.

The work to finalise a well target for the Elyssa 4 appraisal well continues. A conceptual development plan has been completed. The plan includes a tie-back to the planned Zarat facilities.

Didon Field

Didon is a mature field which has produced over 32 million barrels since 1998. In the last few years, PA Resources' focus has been on further extending Didon Field life either through existing well incremental oil opportunities or by drilling additional reservoir infill wells. One important step in this program was the first installation of an electric submersible pump (ESP) in well D6 which was completed in September 2014. Production for this well was encouraging and with oil flow rates in excess of the reservoir modelling forecast. Unfortunately the ESP failed in late November as a result of a ESP subsurface electrical equipment fault. Another project was the upgrade of the facility power generation and the produced water treatment prior to installation of a further ESP. A substantive cost reduction program has been initiated given the dramatic fall in global oil prices coupled with the EnQuest transaction termination. Therefore, the Didon full field incremental oil recovery plan is currently being placed on hold.

EXPLORATION | APPRAISAL | DEVELOPMENT | **PRODUCTION**

Working interest:	100%, operator
Partners:	None
License expiry:	2027
Net PA contingent resources:	1C 2.6 mmbo; 2C 3.9 mmbo; 3C 5.9 mmbo

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. 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 recently to better evaluate the potential of these licenses and to define further exploration activities.

Makthar license

Based on study results, a 2D seismic program of 500 km² was designed for the Makthar Permit in order to define areas of interest and mature the most promising prospects for drilling. So far 340 km² has been acquired with the 90 km² over Boughanem prospect being currently planned for completion during 2015.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	100%, operator
Partners:	ETAP has the right to back in up to 55%
License expiry:	Jul 2016

Jelma license

PA Resources is working jointly with ETAP on a regional reservoir study covering primarily the Jelma license area. The objective of the study is to evaluate the Aptian petroleum system and to define new areas of interest. The seismic acquisition program for Jelma will be updated based on the results of the study and is planned to commence in the fourth quarter 2015.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	70%, operator
Partners:	TOPIC (30%), ETAP has the right to back in to 50%
License expiry:	Sep 2016

Jenein Centre license

The reprocessing of the 2D seismic covering the western area of the permit was finalized and confirmed the presence of upside within the Mzab structure. A 3D seismic acquisition program which is a license commitment is planned in 2015 over the west and north areas of Jenein Centre Permit in order to mature the potential of the identified prospects.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	35%
Partners:	Medco Tunisia (operator, 65%)
License expiry:	Oct 2016

Douleb, Semmama and Tamesmida fields

The Douleb, Semmama and Tamesmida fields, known collectively as the DST fields, have a current oil production of some 450 barrels per day, with a cumulative oil production to date over 25.5 million barrels. SEREPT, a joint venture between ETAP and OMV, operates these concessions.

PA Resources is currently reviewing a number of incremental oil investment opportunities for DST, the most notable one being well DL-23 targeting both the Serdj limestone and the Bed Bar sandstones. During 2014 PA Resources also commenced a program of facility and integrity upgrades at the DST facilities this included environmental upgrades. This program will continue in 2015.

EXPLORATION | APPRAISAL | DEVELOPMENT | **PRODUCTION**

Working interest:	70% (Douleb and Semmama), 95% (Tamesmida)
Partners:	Serept (operator, 30% in Douleb and Semmama, 5% in Tamesmida)
License expiry:	2035
Fields in license:	Two producing fields (Douleb and Tamesmida). Semmama currently shut in for security reasons.
Net PA reserves:	1P 1.0 mmbo; 2P 1.5 mmbo; 3P 2.0 mmbo
Net PA contingent resources:	1C 0.6 mmbo; 2C 0.9 mmbo; 3C 1.2 mmbo

North Sea

- Successful Lille John appraisal well drilled
- Broder Tuck evaluation continuing with new operator
- Addition of discovered resources and high impact exploration acreage to the North Sea portfolio

Denmark

12/06 license

In 2013 PA Resources farmed-out a 40 percent interest in license 12/06 to Dana Petroleum. The transaction was completed in May 2014.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	24%
Partners:	Dana Petroleum (operator, 40%), DNSF (20%), Danoil (8%), Spyker (8%)
License expiry:	May 2016
Fields in license:	Two undeveloped fields (Broder Tuck, Lille John)
Net PA contingent resources Broder Tuck:	1C 3.9 mmboe; 2C 5.4 mmboe; 3C 7.2 mmboe
Net PA contingent resources Little John:	1C 3.4 mmboe; 2C 6.2 mmboe; 3C 11.2 mmboe

Broder Tuck Field

During the first half of 2014, PA Resources continued its operated evaluation of the potential Broder Tuck Field development in license 12/06. This project was then handed over to Dana Petroleum at mid-year when licence operatorship was formally transferred under the terms of the farm-out arrangement. During the course of the year, studies were conducted to assess offtake routes both within Denmark and to infrastructure in the northern Netherlands. In parallel, the 3D seismic data over Broder Tuck were reprocessed by PA Resources and these data are the basis for a detailed subsurface re-evaluation which has been utilised by the incoming operator. Whilst the assessment of the technical and commercial conditions for evacuating hydrocarbons via Danish infrastructure has been evaluated in detail with the host facilities' owners, further work is ongoing to assess the Dutch options. This work will be completed in 2015. Indications are that subject to the outcome of this work and to locating a suitable rig, the new operator will prefer to drill and test a further appraisal well on Broder Tuck before making a final development decision. This well would be suspended for re-use as a production well.

Lille John Field

As expected the introduction of Dana Petroleum as license operator has facilitated the allocation of a suitable slot on a jack-up rig to drill an appraisal well on the Lille John Field. Such a well was needed to assess the distribution and characteristics of the reservoir and to assess its deliverability.

The Lille John 2 well commenced in late 2014 and was completed in early 2015. The well encountered the Miocene reservoir with improved characteristics as expected and a drill stem test was conducted which flowed at rates up to 1,400 barrels oil per day. The oil was as expected 34-35° API without H_2S. A subsequent sidetrack, LJ2A, was drilled downdip, encountering similar reservoir and confirming a 300m oil column from LJ1 to LJ2A. Detailed analysis of the data gathered will now be undertaken to re-assess the resource potential of the accumulation.

Germany

B20008/73 license

Following the announcement on 16 December 2013 of the farm-in of Dana to German license B20008/73, regulatory approval of this assignment was sought. This approval process was highly protracted and the backstop date for approval was extended during the year in order to clarify and address changing regulatory requirements. During this extension, Dana sought to serve notice of termination of the farm-in arrangement. PA Resources has disputed this purported termination.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	90%
Partners:	Danoil (10%)
License expiry:	Dec 2015

United Kingdom

Block 22/19a

Detailed technical work on the Central North Sea 22/19-1 (Birgitta) discovery was completed in 2014 leading to a reduction in the expected volume of recoverable gas and condensate. The field has been commercially stranded for some years as cost effective access had not been readily available to most of the nearby facilities. Discussions regarding the possibility of a joint development of Birgitta with two nearby undeveloped fields were halted when it became clear that a joint development was not favoured by the larger field which would have acted as the host facility. In late 2014, some modest further studies commenced with a view to a possible tieback to an existing field to the north. The UK's Department of Energy and Climate Change (DECC) agreed to extend the license pending completion of these studies and any further work required if a commercial offtake route is defined.

Appraisal well Lille John 2 in Denmark flowed at rates up to c. 1,400 barrels of oil per day, shown here during the drill stem testing operation in which oil produced during the short term test is flared.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	100%
License expiry:	Dec 2015
Fields in license:	One discovery (Birgitta)

Blocks 22/18c and 19d

Late in the fourth quarter, a group comprising PA Resources, E.On, Cairn Energy's wholly-owned subsidiary Nautical Petroleum and First Oil was awarded adjacent Blocks 22/18c and 22/19d in license P2184. These blocks contain the large Ekland prospect on which the group has bid a firm exploration well in the initial four year license term. Whilst PA Resources operated the UK 28th Round license evaluation and application, E.On assumed operatorship on the award.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	25%
Partners:	E.On (operator, 40%), Nautical Petroleum (25%), First Oil (10%)
License expiry:	Dec 2018

Block 21/24b

PA Resources was awarded Block 21/24b in UK's 28th Licensing Round. The licence group comprises of PA Resources (33.33 percent), First Oil and Gas (33.33 percent, operator) and Dyas UK (33.33 percent). Block 21/24b contains the undeveloped West Teal oil discovery and similar prospectivity, on which the group has bid a contingent well in the initial four year license term.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	33.33%
Partners:	First Oil and Gas (operator, 33.33%), Dyas UK (33.33%)
License expiry:	Feb 2019

Netherlands

Schagen license

The onshore Schagen license has been relatively inactive in 2014 whilst the license partners assessed the optimum way forward. However the license duration was formally extended by the Ministry of Economic Affairs. The existing 3D data is likely to be reprocessed in 2015 in order to better define a recognised gas prospect.

EXPLORATION | APPRAISAL | DEVELOPMENT | PRODUCTION

Working interest:	30%
Partners:	Tulip (30%), EBN (40%)
License expiry:	Jul 2016

Blocks Q7/Q10a

In the fourth quarter 2014, PA Resources announced, subject to regulatory approval, the divestment of its 30 percent interest in blocks Q7/Q10a to license partner Tulip Oil B.V. for a firm consideration of GBP 1 million (SEK 12 million) with a further payment contingent on certain asset milestones being met. This transaction was completed early in the first quarter 2015.

Sustainability

- Safety performance on all PA-interest assets has been good with no fatalities, serious incidents, accidents or injuries in the last 6 years.
- Environmental performance is generally improving with reduction in CO_2 emissions although oil in water emissions temporarily increased at Didon during 2014.
- Continued capacity-building investments in Africa: in excess of USD 3 million 2014 gross joint venture spend on social projects.

Policies and principles

PA Resources is committed to conducting its operational activities in a sustainable manner and with care and respect for both human life and the environment. These responsibilities are encapsulated in health, safety, environmental and social responsibility principles, policies and objectives and thus the way the Group and its operating subsidiaries conduct business. PA Resources UK operates an management system which is certified to the ISO 14001:2004 and BS OHSAS 18001 standards.

PA Resources is dedicated to operating in an ethical, transparent and responsible manner in full accordance with international standards and the legislative and regulatory requirements of the countries in which it conducts business. PA Resources is committed to ensuring it conducts its business responsibly, legally, professionally and with integrity. PA Resources does not tolerate any form of bribery or facilitation payments and expects its contractors and license operators to adhere to these standards.

PA Resources' goal is zero accidents to personnel, zero unwanted incidents involving our operational activities, minimal routine environmental emissions and zero accidental environmental emissions. PA Resources has direct responsibility for operations and the related health, safety, environmental, community and social programmes in licences operated by the company and monitors these aspects for licences in which the company is a partner.

Health and safety responsibility

One of the most critical areas of management is ensuring the health and safety of employees and contractors. As a responsible license operator and partner, since 2010 PA Resources has tracked and published its own safety performance and that of its licence operators, as tabulated below.

At the end of 2014, PA Resources directly employed 113 people as well as a number of consultants and sub-contractors. During the past six years, there have been no work-related fatalities or serious accidents or incidents at any production facility where PA Resources is the operator.

During 2014, safety performance has been good. A single lost time incident (LTI) occurred at a PA Resources' operation offshore Tunisia, relating to a concussion injury to a contractor which required medical attention, but no serious harm was suffered. In the Republic of Congo the Azurite Field abandonment was successfully completed without major health and safety incidents. In Equatorial Guinea, a single LTI occurred when a hammer broke and again no lasting harm was suffered to the injured person.

Environmental responsibility

PA Resources recognises that its activities may have adverse environmental consequences and strives to minimise the impact of all our operations. Each business unit undertakes environmental impact assessments during the planning stages of all major projects and operations with a view to enabling the company to develop mitigating measures to avoid or minimise any adverse effects, which are then monitored during operations. PA Resources measures the Group's environmental performance and has reported performance since 2010, as tabulated below.

Overall PA Resources' levels of emissions to the environment have continued to decrease in 2014, in line with declining levels of oil and gas production in Tunisia and the February 2014 cessation of production in Congo.

The installation of an electric submersible pump (ESP) during September 2014 to raise Didon Field production temporarily increased water production and oil-in-water levels. The ESP unfortunately failed in November and as a consequence oil-in-

Indicator	Unit	Operator	2014	2013	2012	2011	2010
Total number of work hours	Gross hours	PA Resources*	260,787	271,893	200,692	437,853	335,200
		Others	2,379,268	4,044,225	3,516,890	3,557,280	3,306,970
Fatalities	Number	PA Resources*	0	0	0	0	0
		Others	0	0	0	0	0
Lost time incidents (LTI)	Number	PA Resources*	1	1	0	0	2
		Others	1	1	4	2	1
Total recordable injury rate (TRIR) **	Number/	PA Resources*	3.83	3.68	0	0	5.9
	million work hours	Others	0.42	0.25	1.41	0.56	0.30

* 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.

Impact	Description of environmental impact	2010 to 2014 Environmental Measures				
		2014	2013	2012	2011	2010
ATMOSPHERIC EMISSIONS	Daily average flared natural gas (million cubic feet/day)	1.45	1.78	2.57	3.95	5.30
Flared gas and Greenhouse gas emissions	Annual total flared natural gas (million cubic feet)	530	650	934	1,440	1,940
	Annual carbon dioxide emissions – flared gas (tonnes)	45,342	46,730	81,485	110,530	172,976
	Annual carbon dioxide emissions – fuel consumption (tonnes)	35,843	54,844	60,945	61,096	36,881
EMISSIONS TO LAND AND SEA	Accidental hydrocarbon emissions (litres)/[number of spills]	2.7	600	0	1,040	1,016
Spills to the Environment		[2]	[3]	[0]	[3]	[8]
PRODUCED WATER	Daily average produced water (barrels per day)	4,820	5,124	4,815	8,212	9,888
Discharges to sea	Total annual produced water (barrels)	1,759,445	1,870,488	1,757,609	2,997,560	3,609,280
	Average concentration of oil in produced water (ppm/mg/l)	29	17	22	18	21
	Total annual discharge of oil in produced water (litres)	9,250	6,064	10,351	11,340	12,110
ENERGY CONSUMPTION	Daily average natural gas consumption as fuel(million cubic feet/day)	0.64	0.87	1.4	1.4	1.16
Energy use	Annual total natural gas consumption as fuel (million cubic feet)	234	318	498	494	424
	Average daily diesel fuel consumption (tonnes)	13.9	28.8	22.7	23.1	N/A
	Annual total diesel fuel consumption (tonnes)	5,056	10,498	8,302	8,436	N/A

* All figures in this table are PA Resources' working interest share of total quantities except accidental hydrocarbon emissions which are gross joint venture volumes.

water reverted to previous levels. Oil in water emissions from the Aseng and Alen facilities in Equatorial Guinea were in line with expectations and international standards.

Gas flaring levels have been intermittently elevated on the Aseng and Alen facilities in 2014 as a result of gas compression and valve issues but as a result of ongoing remedial works were closer to normal levels during the fourth quarter.

Social responsibility, transparency and ethics

PA Resources endeavours to make a positive and sustainable socio-economic impact in the countries in which the Group has activities. This typically involves capacity-building programmes and initiatives in the education, employment, health and medical sectors, in addition to national workforce employment and other programmes to increase local supply content.

In Congo, PA Resources and its operator, Murphy West Africa Limited, have jointly expended some USD 5 million since 2011 on the provision of ambulances, medical supplies and schools. Including further expenditure with our operator, SOCO, in 2014 some USD 2.25 million has been expended on a school expansion project, school restoration project, youth club facilities and a boarding school for deaf children. With the cessation of production of Azurite Field, departure of the vessel and closure of the operator's Congo offices, there has been a marked reduction in numbers of Congolese nationals working directly on PA Resources' assets.

PA Resources' operations in Tunisia, employ 92 staff and consultants, of whom 93 percent are Tunisian nationals. Despite local security and logistics issues which cause difficulties in implementing social projects in certain areas, in the Douleb and Tamesmida Field areas, the operator SEREPT has recruited 26 individuals from local communities with a further 8 recruits scheduled to be engaged. In association with local micro credit associations and the Tunisian National Bank of Solidarity a micro credit investment scheme has been implemented in 2014 to assist local businesses in these areas. Future projects in the areas of HSE training, water supply, educational and medical assistance are planned.

In Equatorial Guinea, PA Resources has contributed over the last seven years to an increasing annual Block I social project expenditure which is currently USD 1 million per annum. These funds have been expended on projects such as water supply, health facilities, educational facilities and other capacity-building measures. Local community programmes have helped raise awareness of basic water safety and hygiene amongst children, provided local environmental stewardship and advice on home safety to local people and communities throughout the year. In addition, as part of a planned programme of workforce nationalisation, some 30 percent of the Alen platform workforce and contractor's workforce on the Aseng FPSO are now Equatoguinean nationals, with a 3 year target towards 45 percent. Furthermore, some 80 percent of the operator's onshore staff and contractor workforce are Equatoguinean nationals supported by intensive safety, technical and foundation skills training arrangements.

PA Resources supports the principles of the Extractive Industries Transparency Initiative (EITI). The Republic of Congo (Brazzaville) is EITI compliant and PA Resources has made EITI disclosures since 2012. In respect of other countries in which PA Resources is involved, Tunisia and Germany have stated intention to become EITI compliant and the United Kingdom's EITI candidacy has been accepted with reporting soon to commence. There are no known initiatives towards EITI candidacy in Equatorial Guinea, Denmark, Sweden or Netherlands.

PA Resources' share

PA Resources' share is listed on the NASDAQ Nordic Exchange in Stockholm. The share had a lower liquidity than in preceding years, amounting to 42 percent during 2014.

Share price trend and liquidity in 2014

The ticker symbol of the share is PAR and, in 2014, 48 million (3,662) shares were traded with a value of SEK 293 million (887) on the NASDAQ Stockholm Small Cap segment. Share turnover – or liquidity in the PA Resources share – was lower than in preceding years. Share turnover rate amounted to 42 percent (115), compared with 49 percent for Small Cap in Stockholm. On average, share turnover amounted to 0.2 million shares per day (14.6) with a value of SEK 1.2 million (3.5).

Over the year, PA Resources' share price declined by 88 percent (84) and the closing bid price for the share at the end of 2014 was SEK 1.13 (8.95) corresponding to a market capitalisation of SEK 128 million. The highest price paid for the share was SEK 10.95 on 15 January and the lowest was SEK 1.13 on 30 December. The average share price was SEK 6.26.

Ownership structure

At 31 December 2014, the total number of shareholders was 15,583 (19,369).

The proportion of foreign ownership amounted to 68 percent in terms of number of shares, and 4 percent in terms of number of shareholders. 76 percent of shareholders held less than 500 shares.

PA Resources' largest shareholder is the Gunvor Group.

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 the 2014 financial year.

Distribution of holdings by size per 31 December 2014

	Number of shareholders	Number of shares	Holding
1 - 5,000	14,786	5,824,432	5.15%
5,001 - 10,000	374	2,904,585	2.57%
10,001 - 20,000	180	2,648,719	2.34%
20,001 - 50,000	140	4,466,499	3.95%
50,001 - 100,000	46	3,324,012	2.94%
100,001 - 500,000	42	8,404,334	7.43%
500,001 - 1,000,000	6	4,047,994	3.58%
1,000,001 - 5,000,000	6	14,670,342	12.96%
5,000,001 - 10,000,000	–	–	–
10,000,001 -	3	66,877,075	59.10%
Total	**15,583**	**113,167,992**	**100.00%**

Ownership structure – 10 largest shareholders

The 10 largest shareholders per 31 Dec. 2014	Number of shares	Capital/ votes
Gunvor Group	33,645,118	29.7%
Villefranche S A R L	12,437,162	11.0%
Lorito Holdings Ltd	10,431,014	9.2%
Credit Suisse Ag	10,200,000	9.0%
Credit Agricole (Suisse) SA	4,346,656	3.8%
Avanza Pension	3,739,193	3.3%
Ågerup Fastigheter AB	2,315,628	2.1%
Nordnet Pensionsförsäkring AB	1,527,009	1.4%
Originat AB	1,400,000	1.2%
Advice Invest A/S	1,341,856	1.2%
Total – 10 largest shareholders	**81,383,636**	**71.9%**
Total – other shareholders	31,784,356	28.1%
Total number of shares	**113,167,992**	**100.0%**

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
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

License overview

North Sea Region

	Concession/license	Operator	Partners
	UNITED KINGDOM		
1	Block 22/19a	PA Resources (100%)	
2	Blocks 22/18c and 22/19d	E.On (40%)	PA Resources (25%), Nautical Petroleum (25%), First Oil and Gas (10%)
3	Block 21/24b	First Oil and Gas (33.33%)	PA Resources (33.33%), Dyas UK (33.33%)
	DENMARK		
4	Block 12/06	Dana Petroleum (40%)	PA Resources (24%), Nordsøfonden (20%), Spyker Energy (8%), Danoil (8%)
	NETHERLANDS		
5	Schagen	Tulip Oil (30%)	Energie Beheer (40%), PA Resources (30%)
	GERMANY		
6	B20008-73	PA Resources (90%)	Danoil (10%)

North Africa Region

	Concession/license	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	PA Resources (100%)	
5	Jelma**	PA Resources (70%)	Topic (30%)
6	Makthar**	PA Resources (100%)	
7	Zarat**	PA Resources (100%)	
8	Jenein Centre***	Chinook Energy (65%)	PA Resources (35%)

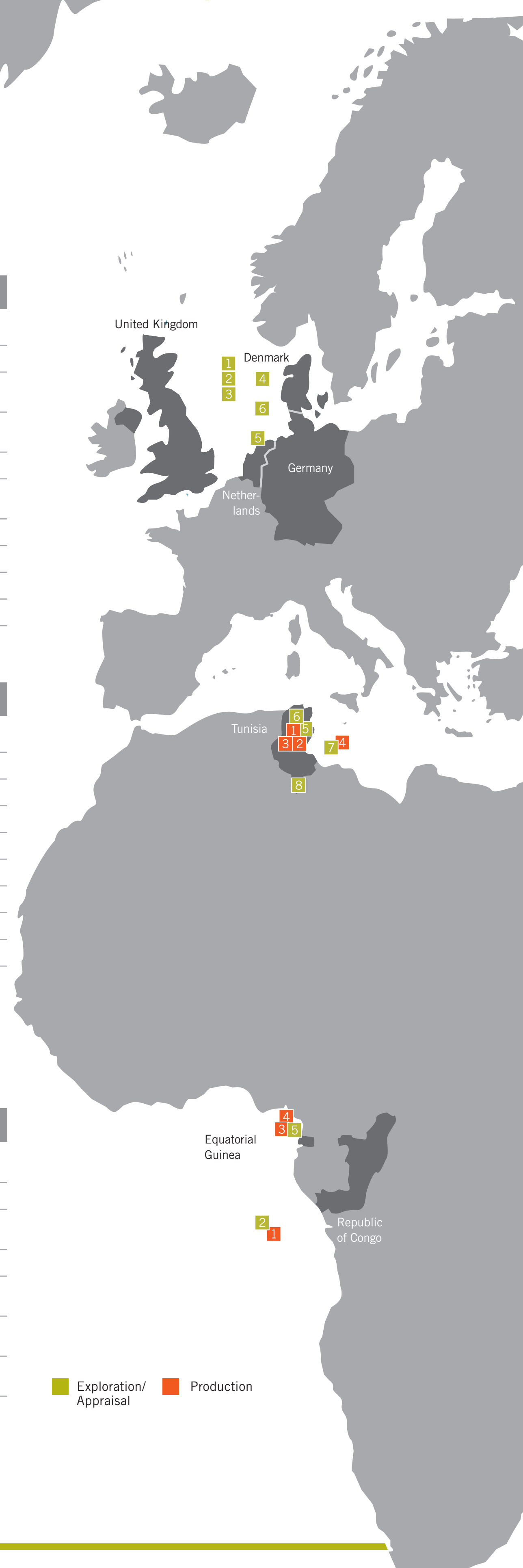
* Operatorship outsourced to Serept.
** ETAP has the right to take a 50% interest in the Jelma licence and 55% in the Makthar and Zarat licenses once discoveries have been made on the respective licenses and a development plan has been submitted. Until such time, ownership is shared as shown above.

*** ETAP is the sole license holder, but has signed a production-sharing agreement with PA Resources and Chinook Energy.

West Africa Region

	Concession/license	Operator	Partners
	REPUBLIC OF CONGO (BRAZZAVILLE)		
1	Azurite*	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 (23.75%), PA Resources (5.7%), GEPetrol (5%)
4	Alen**	Noble Energy (44.65%)	GEPetrol (28.75%), Glencore (23.75%), Atlas Petroleum (1.38%), PA Resources (0.28%)
5	Block I	Noble Energy (38%)	Atlas Petroleum (27.55%), Glencore (23.75%), PA Resources (5.7%), GEPetrol (5%)

* Production at Azurite ceased in November 2013. Abandonment of the Azurite Field has been completed and the FDPSO vessel left Congo in early April 2014.
** 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% in the field in total.



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Board of Directors' report 2014

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 two producing fields. These are the Aseng and Alen fields in Equatorial Guinea. Since its production start in November 2011, Aseng has generated a steady cash flow. The group holds interests in several exploration licenses.

- **Production at the Aseng Field**
  In 2014, the Aseng Field in Block I produced a total of 15 million barrels of which PA Resources' share was 0.8 million barrels. The average field production rate during 2014 was 40,700 barrels per day (2,300 barrels per day PA Resources).
- **Production at the Alen Field**
  In the second quarter, the Atwood Aurora jack-up rig arrived at Alen to raise gas/condensate production capacity above 30,000 barrels per day. 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.
- **3D survey**
  A 3D seismic acquisition program was completed early in the fourth quarter.
- **Diega development**
  Following discussions with the Equatorial Guinea government, the Diega development decision has been deferred pending receipt of the new 3D data and further work to optimise development concepts.
- **Mer Profonde Sud**
  PA Resources received governmental approval of the farm-out of 60 percent interest in the Mer Profonde Sud Permit in Congo to SOCO and planning continues for the drilling of Baobab Marin in 2016.

Key ratios, West Africa 2014

SEK **476** million in recorded exploration and evaluation assets
SEK **582** million in recorded oil and gas properties
SEK **77** million in investments
2,400 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 licenses and is the operator of a total of seven licenses. The largest proportion of the Group's employees is based at the regional office in Tunis or offshore at the Didon facilities.

- **Terminated farm-out agreement**
  The farm-out agreement for the transfer of 70 percent interest in each of the Didon Field and the Zarat Permit to EnQuest was terminated. PA Resources recorded the termination in the income statement as a one-off item in the fourth quarter, with a total negative impact on net profit of SEK -826 million.
- **Production at the Didon Field**
  The electrical submersible pump (ESP) which was installed during the third quarter failed during November 2014 due to a downhole electrical fault. Other wells were optimised to partially compensate for the ESP failure.
- **Onshore fields**
  The Douleb and Tamesmida fields produced throughout 2014 and an infrastructure upgrade programme has commenced.
- **Zarat Field**
  The detailed work between PA Resources and the state oil company ETAP to develop a full field life Plan of Development (POD) has been completed. In addition, the work continued between the southern and northern tract partners to develop a legally and commercially robust Zarat Unitised Unit Operating Agreement (UUOA). The Zarat license extension has to date not been granted but a resolution is now expected in the near term. The Zarat extension has the full support of the Tunisian Authorities i.e. La Direction Générale De L'Energie (DGE) and the state oil company Entreprise Tunisienne d'Activités Pétrolières (ETAP).

Key ratios, North Africa 2014

SEK **1,591** million in recorded exploration and evaluation assets
SEK **59** million in recorded oil and gas properties
SEK **73** million in investments
700 barrels per day in production

The North Sea

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

- **Danish license 12/06**
  During 2014, PA Resources completed the divestment of a 40 percent operating interest to Dana Petroleum. On the Broder Tuck discovery, it is likely that an appraisal well will be drilled in 2015/16 to be retained for use as a production well. In addition, the Lille John 2 appraisal well was successfully drilled and tested.
- **Denmark 7th Licensing Round**
  In the fourth quarter 2014, PA Resources, in two different partnership groups, submitted low cost bids for several licenses in the Danish Central Graben. License award decisions are expected in the first half of 2015.
- **UK licence 22/19a**
  During 2014, PA Resources continued discussions with candidate host facilities to assess the scope for development of this field and the license was extended to allow this process to continue in 2015.
- **New licenses in UK**
  In the fourth quarter, PA Resources was awarded 25 percent of Block 22/18c and 22/19d in the UK 28th Licensing Round. The license contains the large Ekland prospect. In the beginning of 2015, PA Resources received a second award of Block 21/24b (33.33%). Block 21/24b contains the undeveloped West Teal oil discovery.
- **German licence B20008/73**
  The regulatory approval process of PA Resources' divestment of a 56 percent interest to Dana was terminated in the fourth quarter following notice from Dana to terminate the transaction.
- **Netherlands Blocks Q7/Q10a**
  PA Resources announced the disposal of a 30 percent interest in Blocks Q7 and Q10a to Tulip Oil for a consideration of SEK 12 million. The transaction resulted in a book loss of approx. SEK 19 million which was recorded in Q4.

Key ratios, North Sea 2014

SEK **442** million in recorded exploration and evaluation assets
SEK **16** 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 99 per barrel, which was USD 9 per barrel lower than the preceding year. A peak of about USD 115 per barrel was reached in June and a low of about USD 55 per barrel in December. According to the International Energy Agency (IEA), global demand was 92.5 million barrels per day (91.8) in 2014, up 0.7 percent year-on-year. The IEA estimates demand in 2015 to be approx. 93.4 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 growth in demand in non-OECD countries is contributing to a continued increase in overall demand. Tensions in the Middle East such as the war in Syria, the ISIS offensive in Iraq, and the negotiations with Iran are increasing the risk of disturbances in the global supply of oil. For more information, see page 9.

Production and sales

Production

During the year, oil was produced from five fields of which three were located in Tunisia – where the Didon Field is the largest –and the Aseng and Alen fields in Equatorial Guinea. To optimise production and to compensate for the natural decline of the Didon Field an electrical submersible pump (ESP) was installed. However, at the end of the year, the ESP failed due to a downhole electrical fault.

During 2014, Didon produced 140,000 barrels of crude oil based on a 30 percent working interest, which is PA Resources' share of total gross production before taxes and royalties. Due to the termination of the farm-out agreement of a 70 percent interest in the Didon Field to EnQuest, PA Resources now owns 100 percent of the Didon concession. From 2015 all of Didon's production will be recorded under PA Resources' volumes.

Average production over the year, based on daily production including 30 percent of Didon was 3,100 barrels per day (5,000).

Sales and customers

In total, 1.2 million barrels of oil (1.6) were sold at an average price of USD 96 per barrel (108) in 2014. 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 field's oil quality in relation to Brent.

In Tunisia, about 10 percent was sold to the local market in 2014 with discounts pursuant to the license terms. For more information, see Note 4.

Direct production taxes

The license agreements for Tunisia and Equatorial Guinea involve direct production taxes (royalties), which are paid to the state in oil or as a monetary royalty. Royalty in kind is reported net in the income statement and royalty paid in cash is reported as a direct production tax. In 2014, PA Resources' direct production tax amounted to SEK 10 million (17). For more information, see Note 2.1.

Over-/ or underlift positions of hydrocarbons

PA Resources' over-/ or underlift position of hydrocarbons are reported as if they had been sold at the balance sheet date and amounted to 146 (88) thousand barrels on 31 December 2014. For more information, see Note 2.1.

Changes in ownership in 2014

PA Resources made no acquisitions or divestments of companies or shares in companies in 2014. At year-end 2014 the farm-out agreements of a 70 percent interest in each of the Didon Field and Zarat license were terminated. Further to the termination, PA Resources accounts for the legal entity Hydrocarbures Tunisie Didon Ltd, holding 70 percent of the Didon Field. As a result, PA Resources Group is the sole owner of the Didon Field as well as the holder of the Zarat license. The Group disposed of its interest in the Netherlands offshore Blocks Q7 and Q10a to Tulip Oil, for which a book loss was recognized in the fourth quarter of 2014. Furthermore, PA Resources was awarded license P 2184 including Blocks 22/18c and 22/19d in UK´s 28th Seaward Licensing Round.

Employees

At the end of the year, PA Resources had a total of 116 (129) employees. Of these, 95 (104) were men and 21 (25) women. The average number of employees was 121 (136). PA Resources has offices in London, Stockholm and Tunis. The majority of personnel is stationed in Tunisia at the regional office and at production facilities. In addition, contractors and consultants are engaged for preparations for and the implementation of drilling campaigns and development projects.

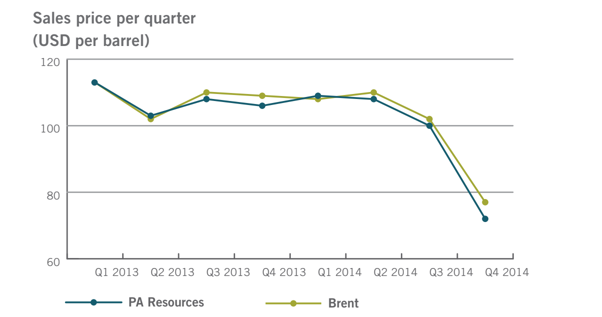
Remuneration of Group management

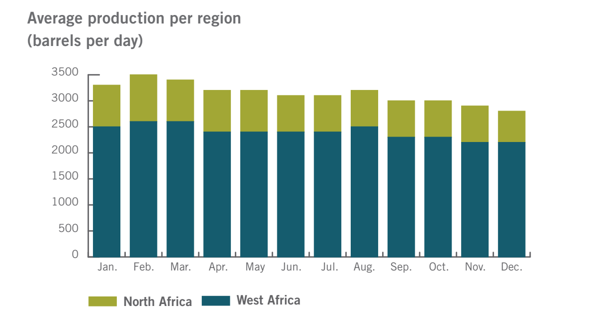
Remuneration of the CEO and other group management is comprised of fixed salary, variable remuneration, other benefits and pensions as detailed in Note 11. The guidelines for remuneration of group management were adopted by the 2014 Annual General Meeting and are presented in the corporate governance report section on page 31.

The environment

All oil-related operations impact on the environment and entail risk. PA Resources is committed to conducting its operational activities in a sustainable manner and with care and respect for both human life and the environment. These responsibilities are encapsulated in health, safety, environmental and social responsibility principles, policies and objectives which are incorporated into the company's management system and thus in the way in which the Group and its operating subsidiaries conduct business.

PA Resources recognises that its business activities may have adverse environmental consequences and strives to minimise the impact of all our operations. Each business unit undertakes environmental impact assessments during the planning stages of all major projects and operations in order to enable the company to develop mitigating measures to avoid or minimise any adverse effects, which are then monitored during operations. PA Resources measures the Group's environmen-





tal performance and has reported performance since 2010. See the performance indicators on page 17. PA Resources has no operations in Sweden that require notification or permits under the Swedish Environmental Code.

Efforts primarily focus on measures within the following areas:

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

Disputes

Even if the outcome of the dispute is negative for the company, there are no balance sheet exposure for the amount stated below.

PA Resources AB's wholly owned subsidiary PA Energy Congo SA (PAEC) is currently engaged in discussions with Murphy West Africa Limited concerning PAEC'S liability for certain costs incurred/to be incurred in respect of the abandonment of the Azurite Field. The amount in contention is circa USD 8 million.

Shares and ownership

PA Resources AB's share has been listed on the NASDAQ in Stockholm since 2006. The share moved to the Small Cap segment in January 2013. For more information, see page 18.

On 31 December 2014, PA Resources had two shareholders, Gunvor Group and Villefranche, with more than 10 percent of the total shares in the company. PA Resources AB did not hold any of its own shares at year-end.

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.

Future prospects

The company's main objective over the next couple of years is to bring its key nonproducing assets towards development and production. As PA Resources' producing fields in Equatorial Guinea and Tunisia are all in natural decline and will not deliver the cash flows needed for investments, intermediate funding is needed. When each of the main assets is ready for development, a decision will be taken to monetize their value by either carrying out the investment on own balance sheet, farming out part of the asset, or by outright disposal. The outcome of the ongoing refinancing process is critical for the company's ability to deliver its long-term business plan.

Going concern

The board of PA Resources adopted the going concern assumption in preparing the 2014 annual accounts. This assumption is based on an agreement regarding financing for the remainder of 2015 with the company's major creditors. This agreement will be formalised shortly. There are currently no agreements in place for financing 2016 and beyond. There are three main options for the continued operation of PA Resources; to continue operations with the current portfolio, a corporate transaction and disposal of some or all of the company's assets and subsidiaries. The board is considering all available options. It should be noted that the value of the company's assets is significantly below its current book values in a liquidation scenario.

Financial summary

Group revenue and profit

SEK million	2014	2013	Change analysis
Revenue	603	1,049	Revenue decreased compared with 2013 as a result of both lower production and lower oil prices.
EBITDA	-480	-494	EBITDA amounted to SEK -480 million (-494) and included the terminated farm-out agreement of 70 percent interest in each of the Didon Field and the Zarat license to EnQuest of net SEK -826 million. The corresponding period a year ago included the farm-out of the Tunisian assets and the decommissioning cost for the early abandonment of the Azurite Field totaling SEK -931 million. EBITDA is also negatively impacted by lower revenue compared with 2013, but counteracted by a lower cost of sales following the Azurite abandonment in 2013 as well as the farm-out of the Tunisian assets.
Operating profit	-2,667	-1,234	The depletion of oil and gas assets amounted to SEK -195 million (-197) and these assets decreased as a result of lower production counteracted by the downward revision of 2P reserves as per 1 July as well as currency effects from the strengthening of the USD. Operating profit was impacted by impairment losses of SEK 1,991 million (542) mainly attributable to impairment charges of SEK 1,957 million due to the significant fall in current and expected oil prices. PA Resources used the forward curve as per 9 January as the base for its impairment, which means that the price assumptions used for impairment testing purposes are more conservative than price assumptions in the external reserves audit. The forward curve based on the annual average was 55 USD per barrel for 2015, 63 USD per barrel for 2016, 68 USD per barrel for 2017 and 2.5 percent inflation thereafter. The average forward oil price for 2015 at year-end 2014 was 62 USD per barrel. Other impairment losses recognised in 2014 totalling SEK 34 million relate to the disposal of Q7/Q10a in the North Sea region amounting to SEK 18 million and to a write-down of SEK 16 million in the North Africa region.
Profit before tax	-3,032	-1,439	Profit before tax was impacted by the Group's net financial items which amounted to SEK –365 million (–205) for the full year. Interest expense was SEK -256 million (-265). Currency effects on net financial items amounted to SEK -87 million (100). Adjusted for currency effects, net financial items amounted to SEK -278 million (-305).
Profit for the year	-2,957	-1,219	Reported tax amounted to SEK 74 million (220) and was positively impacted by the reversal of deferred taxes of SEK 137 million with respect to impaired fixed assets. Reported tax for the corresponding period a year ago was positively affected by a decrease in deferred taxes in combination with the farmed out Tunisian assets of SEK 345 million.

Investments

Total capital expenditures for the period amounted to SEK 166 million (271) and related primarily to seismic acquisition in Makthar plus continued investments in the drilling programme on Diega in Block I in Equatorial Guinea. Investment costs in Diega are rapidly recovered from Aseng oil sales under the terms of the production sharing contract for Block I. Capital expenditures for the full year 2014 were lower than the previously expected level of approximately SEK 200 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 2014

Bond loans

On 20 October 2014 the Group agreed with the trustees of the Swedish and Norwegian bond loans, following a bond holder meeting for the NOK denominated bond and a written procedure with the bondholders of the SEK denominated bond, to defer interest payments originally due in October 2014 until February 2015. The deferred interest will carry an additional interest rate equivalent to the prevailing interest of each bond loan. For more information see Note 20.

During the year, PA Resources amortised NOK 135 million according to plan on an amortising bond loan with an original nominal value of NOK 900 million. PA Resources also repaid the remaining outstanding convertible bonds of a convertible bond loan with an original nominal value of SEK 1,164 million. For more information, see Note 20 and page 8.

Reserve based lending facility, working capital credit facility and other interest-bearing loans and borrowings

On 31 March 2014, PA Resources entered into a one year working capital credit facility (WCF) of USD 50 million with its main shareholder Gunvor S.A. As per 31 December 2014, USD 28 million had been drawn on this facility. The Group has pledged the shares of the owning company of their Tunisian assets as security for the facility which carries an interest rate of 7.5 percent per annum. The WCF expires and becomes payable on 31 March 2015. For more information, see Note 20. PA Resources' reserve based lending facility (RBL) at year- end was SEK 660 million (550), of which SEK 660 million (550) was recognised as short-term interest-bearing loans and borrowings. For more information, see Note 20. In October 2014 Gunvor Group, as lender of the RBL and the WCF, agreed to a similar arrangement as that granted to the bondholders whereby interest was deferred until February 2015 with interest payable on the deferred amount. For more information see Note 20 and page 8.

Amortisation

During the year, PA Resources paid down a net total of SEK 55 million (419) of interest-bearing liabilities. The Group's total interest-bearing liabilities amounted to SEK 2,468 million (2,194) as per 31 December 2014. For more information, see Note 20.

Financial control and goals

Liquidity is monitored and planned on an ongoing basis to meet expected payment flows. Bank relations and borrowing

Group liquidity and financial position

SEK million	2014	2013	Change analysis
Cash flow from operations	-108	-379	The Group's operating cash flow for the period was SEK -108 million (-379). Operating cash flow included payments of SEK 170 million in connection with the abandonment of the Azurite Field. The negative cash flow for the corresponding period in 2013 is mainly attributable to payments made in connection with the termination of the planned sidetrack on the Azurite Field as well as payments in connection with the early abandonment of the Azurite Field.
Net cash flow after financing and capital expenditure	-264	345	Cash flow from investing activities amounted to SEK -101 million (-271) and contained proceeds of SEK 65 million from the completed farm-out transaction in Denmark. Total capital expenditures for the period amounted to SEK 166 million (271). Of these, SEK 77 million (197) related to the West Africa region, primarily to activities in Block I. Cash flow from financing activities amounted to SEK -55 million (995) and included the repayment of the convertible bond loan and a scheduled partial repayment of the NOK bond loan. The figure for the preceding year includes SEK 1,413 million from conducted rights issues.
Cash and cash equivalents at year-end	148	403	Cash and cash equivalents amounted to SEK 148 million (403).
Total interest-bearing liabilities	2,468	2,194	As per 31 December 2014 the Group had total interest-bearing liabilities of SEK 2,468 million (2,194). During the first quarter, PA Resources signed a one-year working capital facility of USD 50 million carrying a fixed interest rate of 7.5 percent and secured through a share pledge in regard to its Tunisian assets. At year-end USD 28 million of this was utilised.
Equity at balance sheet date	-810	1,795	PA Resources shareholder´s equity amounted to SEK -810 (1,795) million and the decrease was primarily due to impairment charges but also as a result of the termination of the farm-out agreement in Tunisia.

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

Financial covenants

Both of PA Resources´ bond loans contain financial covenants. These apply to the book equity and 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 regard to its reserve-based lending facility. Due to the impairments made as a result of the lower oil price environment and the costs associated with the terminated farm-out agreement for the company's Tunisian offshore assets, the Group's equity decreased to SEK -810 million and the book equity to capital employed ratio became negative. By year-end 2014, the Company was thereby in breach of these financial covenants, but a waiver was granted at the bondholders meeting on 25 February 2015. For more information, see Note 20.

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. Interest rate swap contracts, for which the interest rate can be changed from variable to fixed, and vice versa, can be utilised to manage interest rate exposure. The Group had no currency or interest rate swap contracts outstanding as per 31 December 2014, nor as per 31 December 2013.

In addition, PA Resources may, from time to time, choose to hedge the oil price for all or a portion of its production. The Group had no hedges in place at 31 December 2014, nor as per 31 December 2013.

Parent company's profit/loss and financial position

Operating profit amounted to SEK -199 million (-122), and was negatively impacted by the reversal of the purchase price for Didon of USD 23 million. Operating profit for the corresponding period a year ago was negatively affected by an impairment loss of SEK -97 million. Net financial items for the period amounted to SEK -2,459 million (-2,333) and were favourably affected by dividends of SEK 232 million (293). Net financial items also included write-downs of intra-Group receivables of SEK -1,125 million (-1,385) and shares in subsidiaries of SEK -1,730 million (-1,142).

Balance sheet for liquidation purposes

Total shareholders' equity in the parent company amounted to SEK -1,128 million at year-end 2014, which is less than one-half of the registered share capital of SEK 1,415 million. As a consequence, the company's board of directors resolved to prepare a balance sheet for liquidation purposes. The balance sheet showed, after adjustments, that shareholders' equity was still less than one-half of the registered share capital. Pursuant to the Swedish Companies Act, PA Resources issued notice to the company's shareholders to attend an Extraordinary General Meeting held on 27 February 2015. As a subsequent event PA Resources' shareholders resolved, as recommended by the Board, that the company shall continue to carry on its business operations. As a consequence of the terminated farmed-out agreement in Tunisia, the parent company expensed USD 23 million held in escrow as well as further impaired its shares in subsidiaries. In total shareholder´s equity decreased with SEK 878 million.

Significant risks and risk management

Operational risks

P Financial impact if the risk occurs

Description of risks	PA Resources' risk management	Outcome 2014	
>>> 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 is in natural decline in line with expectations, and the field has been producing a stable flow throughout the year. The farm-out of 40% of the 12/06 license was finalised and thereby taken closer to production.	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 5.4 million barrels oil equivalents (31.7), of which 3.7 million barrels (20.7) were 1P reserves. Changes in PA Resources reserves are due to production and a revision of reserves based on an independent audit performed by ERC Equipoise during the year. 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 global economic trends, 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 into the atmosphere. Major price fluctuations are negative since lower revenues and increased uncertainty impact the size of investments.	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 the operator or major owner, is common in periods of low oil prices.	The price of Brent crude reached an average price of 99 USD per barrell in 2014. PA Resources' average sales price tracked Brent crude over the year and was 96 USD per barrel. Although most investment decisions are based on multi-year developments, the significant drop in oil price at the end of 2014 has meant that similarly to other industry peers, PA Resources is reviewing and prioritising the current investment plan. Read more on page 22.	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, risk exists 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 2014, 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, 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 2014. Read more on page 16.	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. An independent review of PA Resources' volume estimates was conducted by ERC Equipoise during 2014, which broadly supported the volumes reported by the company.	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.	In 2014, PA Resources, together with a group of partners, was awarded blocks 22/18c and 22/19d in the UK. The company also divested from its Netherlands blocks Q7/Q10a to the operator of the fields. See more info on page 15.	Low – High

Read more about risks at www.paresources.se

Cont. Operational risks

Description of risks	PA Resources' risk management	Outcome 2014	
>>> Shared ownership and partnership			P
PA Resources has shared ownership in several licenses in partnership with other companies. In a partnership, it may be difficult to influence how operations on the license are conducted, especially where PA Resources is not the operator. If a partner does not 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 licenses 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 to how the operator is to conduct business.	As per the agreed farm-out of 40% of the 12/06 license agreed at end of 2013, operatorship was handed over to Dana; an operator of good repute in the industry and which has core competences in the type of development required. The farm-out to SOCO of 60% of the MPS license in Congo (Brazzaville) was completed in March 2014.	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 licenses 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 2014, no licenses were revoked. Dana Petroleum, the farminee of PA Resources German B20008/73 license, sought to serve notice of termination of the farm-in arrangement. PA Resources has disputed this claim for termination.	Low–High

Financial risks

Description of risks	PA Resources' risk management	Outcome 2014	
>>> Refinancing risk			P
PA Resources is in need of refinancing for maintenance, development and exploration of the Group's licenses and discoveries. In addition, the Group needs a liquidity reserve for the management of current payment obligations in operating activities, planned investments and amortizations. 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 2014 a working capital facility of USD 50 million was agreed with Gunvor S.A. Read more in Note 20.	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 amortization or interest payments fall due and it is unable to renegotiate or refinance the loans, there is a risk that the issue of new shares will be necessary. If a new issue of shares cannot be carried out, 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 148 million (403). In 2014, the Group agreed with the lenders of its secured debt and the bond loans to defer interest payments, originally due in October 2014, until February 2015 in order to secure short term liquidity. Read more in Note 27. As of 27 March, PA Resources is in corporate reorganization. For more information see Note 29.	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 27.	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 27.	The average fixed-interest period was 1.0 years (1.6) at year-end. A concurrent shift in the interest rate 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 14 million (11). Read more in Note 27.	Low– Medium

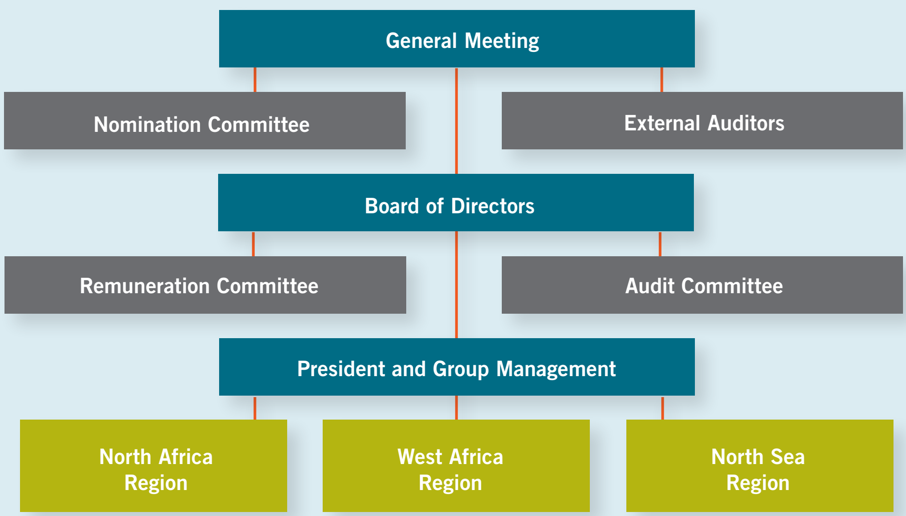
Political risks and risks related to society

<table>
<tr><th>Description of risks</th><th>PA Resources' risk management</th><th>Outcome 2014</th><th></th></tr>
<tr><td>>>> Political and economic instability and corruption</td><td></td><td></td><td>P</td></tr>
<tr><td>PA Resources conducts business activities in countries where corruption exists and a substantial level of risk exists in respect to political instability. The concept, political instability, is comprised of financial vulnerability and vulnerability to unrest. Unrest, political and economic instability in society, may among other things hinder the company from conducting business, cause production interruptions, delays and pose a threat to safety.</td><td>PA Resources avoids establishing operations in new countries where the level of instability is deemed too high and the company also has a zero tolerance policy in regard to 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.</td><td>
<table>
<tr><th></th><th>Political risk</th><th>Safety risk</th></tr>
<tr><td>Equatorial Guinea</td><td>High</td><td>Medium</td></tr>
<tr><td>The Republic of Congo</td><td>Medium</td><td>Low</td></tr>
<tr><td>Tunisia</td><td>High</td><td>Medium</td></tr>
<tr><td>The UK</td><td>Low</td><td>Low</td></tr>
<tr><td>Germany</td><td>Low</td><td>Low</td></tr>
<tr><td>The Netherlands</td><td>Low</td><td>Low</td></tr>
<tr><td>Denmark</td><td>No risk</td><td>No risk</td></tr>
<tr><td>Sweden</td><td>No risk</td><td>No risk</td></tr>
</table>
Source: Control Risk</td><td>Medium – High</td></tr>
<tr><td>>>> Negative changes in fiscal terms</td><td></td><td></td><td>P</td></tr>
<tr><td>PA Resources' operations are affected by the applicable tax rules of each country in which the Group operates. Tax is often comprised of 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 line with rises in oil prices, which can negatively impact earnings and cash flow.</td><td>PA Resources strives to maintain a healthy ongoing dialogue regarding taxes with government agencies in those countries where the company has operations.</td><td>In 2014, no fiscal terms were changed in PA Resources' oil-producing countries.</td><td>Low – High</td></tr>
</table>

Corporate governance report 2014

PA Resources views solid corporate governance and sound risk management as prerequisites for a 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 creating and 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 approves 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 meeting. 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 opted 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. 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 the CEO. Under assignment from the Board of Directors, the auditor performs a review of the third quarter 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 the 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 work of the CEO 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 CEO and decides on his remuneration package.

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 CEO 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 CEO´s work and represents the company in ownership issues.

Key external rules and regulations

- The Swedish Companies Act
- NASDAQ 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 CEO including instructions pertaining to financial reporting to the Board, and instructions for committees
- Guidelines for remuneration of Group management
- 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 CEO remuneration, guidelines and incentive programs in the group. The Committee monitors and evaluates variable remuneration programs and the application of resolutions passed by general shareholder meetings on guidelines for the remuneration of group management.

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 makes recommendations to the Board for decision.

CEO and Group Management

PA Resources' 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 CEO detail, among other things, the division of duties between the Board and the CEO. In consultation with the Chairman, the CEO prepares documentation and supporting data for the Board's work.

Group Management includes the CEO, CFO, SVP Exploration/Regional Director of Region West Africa and North Sea, Managing Director of Region North Africa, General Counsel and Business Development Director. 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 2014

Annual General Meeting 2014

The AGM was held on 16 April 2014 in Stockholm. The meeting was attended by 20 shareholders, either in person or through a proxy, which corresponded to 41 percent of the shares and votes in the company. Attorney Sven Rasmusson was elected as Chairman of the AGM. 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 CEO from liability for their administration
- to not pay a shareholder dividend
- to re-elect board members Paul Waern, Philippe R. Probst and Philippe R. Ziegler and Nils Björkman as board members. Jérôme Schurink and Mark McAllister was also elected to the board and Jérôme Schurink was elected 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 2014, who have opted to be represented on the Nomination Committee
- to set director's fees at a total of SEK 1,650,000, of which SEK 550,000 to be paid to the Chairman and SEK 275,000 to each of the Board members not employed by the company
- 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 CEO and other group management as proposed by the Board of Directors.

The Nomination Committee's work

The AGM 2014 resolved that the Nomination Committee, ahead of the 2015 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 2014, and who have opted 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 will be 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, Christina Hadjigeorgiou was appointed as Nomination Committee chair. To date, the Nomination Committee has met on 3 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 28 July 2015 at www.paresources.se.

The work of the Board

In 2014 the Board comprised five ordinary members until the AGM and six thereafter. The board held a total of 18 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 CEO and CFO attended to give presentations, and minutes were recorded by the board secretary. At each regular board meeting, the CEO – in certain cases assisted by the CFO – submitted a status report of business activities that included production and sales data, financial reporting 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

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. The committee held 3 meetings during 2014. The work of the Remuneration Committee was primarily focused on the following areas:

- evaluation of the remuneration of Group management
- proposed guidelines for remuneration of Group management
- compensation and bonus issues.

Members of PA Resources' Nomination Committee for the 2015 AGM

Representative	Shareholder	Holding/votes as per 31 Dec 2014
Christina Hadjigeorgiou	Gunvor Group Ltd	29.7%
Mats Nilstoft	Villefranche S.a.r.l.	11.0%
Garrett Soden	Lorito Holdings Ltd	9.2%
Jérôme Schurink	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

Annual General Meeting 2015

The Annual General Meeting of PA Resources AB will be held on 28 July 2015 at Scandic Klara (Stockholm Norra), Slöjdgatan 7, 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 79 or www.paresources.se/en/Corporate_Governance

The Audit Committee's work

The Audit Committee was composed of the Chairman of the Board and two board members, Philippe R. Ziegler and Nils Björkman. The Chairman of the Board serves as committee chair. The management was represented by the CEO and CFO. During the period 1 January 2014 up until the Annual General Meeting in April 2014, the Audit Committee consisted of the Chairman, Philippe R. Ziegler and Paul Waern.

A total of 4 meetings were held during 2014, 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 nine-month report in October, a more in-depth review of the auditor's report was performed.

Evaluation of the Board's work

The 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 shared with 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 all 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. In addition, Ernst & Young AB was consulted on tax matters and various accounting and financing matters. Ernst & Young is obligated to test its independence prior to any decision to provide independent advice outside of its audit assignment for PA Resources.

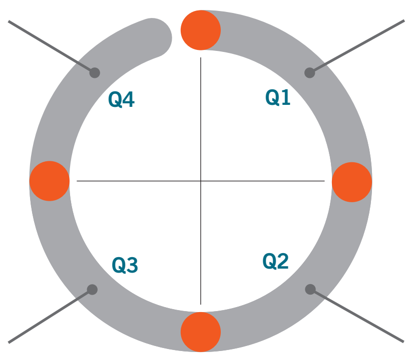
Work of the Board in 2014

Fourth quarter

- Refinancing process, stakeholder discussions
- Budget and work plan for 2015
- Interim report for the third quarter

First quarter

- Year-end report
- Evaluation of the Board's work in 2013
- Financing issues
- Annual Report
- AGM agenda and proposed guidelines for remuneration of Group management
- The Remuneration Committee's evaluation of remuneration of Group management
- Review and evaluation of the company's ongoing projects and farm-out processes, strategies and financing



Third quarter

- Financing matters, including proposal on temporary roll up of interest payments
- Interim report for the second quarter
- Review, evaluation and decisions regarding the company's ongoing projects and farm-out processes, strategies and funding.

Second quarter

- Interim report for the first quarter
- Long term operational plan and financing issues

Remuneration of management and Board

Remuneration guidelines

Guidelines for the remuneration of Group management 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 which 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 2015 Annual General Meeting are in line with the policies applied thus far. The Board's complete proposal regarding guidelines and other material ahead of the 2015 AGM will be available at www.paresources.se/corporate_governance

Long-term incentive programme

The board decided to cancel the long term incentive programme for the company. After having completed the ongoing refinancing exercise it is the board's intention to implement a new long term incentive program aligning remuneration to key employees with the company's strategic aspirations.

Remuneration of Group management

Remuneration in 2014 is reported under Note 11 on page 57. PA Resources short term incentive program gives the CEO the opportunity to earn up to 50 percent of base salary in annual bonus based on the achievement of pre-set targets. Other members of the management team can earn up to 40 percent of salary in the annual short term incentive program. The board decided to extend the short term program for 2014 with six months, and increase the maximum opportunity pro rata. Evaluation and decisions will be made after the completed refinancing excercise.

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 2014, fees were paid as detailed on pages 34-35.

Auditors' fee

In 2014, fees paid to auditors were as detailed in Note 8.

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 is founded on a clear division of responsibilities between the Board and the CEO, 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 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 committee 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 producing 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 26 and in Note 27.

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.

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 license, with the opportunity of performing an audit of the party that is the operator of the license. 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. Financial reports, production reports, press releases, presentation material and various key ratios are published on a regular basis on the company's website, www.paresources.se.

The need for internal auditing

PA Resources' organisation is decentralised, with 116 employees in the Group, of whom 8 staff members were employed by the Parent company as per 31 December 2014. 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

Gunvor Group's shareholding in PA Resources was just below 30 percent as per 31 December 2014.

The Board of Directors

	Jérôme Schurink	Mark McAllister	Philippe R. Probst
Position	Chairman of the Board, resigned from the Board May 2015	CEO and Board member	Board member, Chairman of the Board as of May 2015
Year of election	April 2014	April 2014	Board member since May 2013 and CEO from May until September 2013
Born	1970	1958	1950
Education	Master's degree in International Management from Lausanne University	MA in Engineering from Cambridge University	Geology degree from University of Bern, Switzerland
Main occupation	–	CEO of PA Resources	Advisor to international oil companies, financial institutions, and investors in upstream, mainly in Africa and the Middle East.
Other assignments	–	Chairman of The Decommissioning Company NED Shandong Twin Marine.	–
Previous experience	Chief Financial Officer of the Gunvor Group for over 8 years, previously Finance Director of Procter & Gamble for 12 years.	35 years' experience in the international oil and gas industry. CEO Fairfield Energy, CEO Acorn Oil & Gas, MD (Europe & North Africa) LASMO, Director of Operations at Monument Exploration.	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 with Shell International Exploration & Production.
Shareholding in PA Resources, as per 31 Dec 2014	–	–	–
Independent	Yes	No	Yes
Attendance at Board meetings in 2014	12/18 (elected at AGM in April 2014)	13/18 (elected at AGM in April 2014)	18/18
Attendance at Remuneration Committee meetings in 2014	1/3 (elected at AGM in April 2014)	–	–
Attendance at Audit Committee meetings in 2014	2/4 (elected at AGM in April 2014)	–	–
Annual fee for Board work including committee work	SEK 550,000	–	SEK 275,000

	Philippe R. Ziegler	Nils Björkman	Paul Waern
Position	Board member	Board member	Board member
Year of election	May 2013	July 2013	May 2009
Born	1957	1954	1950
Education	MSc. in Economics, Belgium	MBA from the Stockholm School of Economics	MSc in Mining Engineering, KTH Stockholm
Main occupation	MD of Captiva Corporate Finance S.A. in Geneva	–	Drilling Supervisor with international oil companies
Other assignments	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 of Selena Oil & Gas Holding AB and Örby Säteri, a family-owned business.
Previous experience	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, including MD for Tetra Pak in the UK and in Canada and President and CEO of Tetra Laval Food, Tetra Pak Europe & Africa and Tetra Pak Market Operations globally.	30 years' international experience in the oil and gas industry.
Shareholding in PA Resources, as per 31 Dec 2014	–	Direct holding: 70,000	Direct holding: 100
Independent	Yes	Yes	Yes
Attendance at Board meetings in 2014	18/18	13/18	16/18
Attendance at Remuneration Committee meetings in 2014	–	3/3	2/3
Attendance at Audit Committee meetings in 2014	4/4	1/4 (elected at AGM in April 2014)	2/4 (resigned in April 2014)
Annual fee for Board work including committee work	SEK 275,000	SEK 275,000	SEK 275,000

Group Management



	Mark McAllister	Tomas Hedström	Kevin McGrory
Position	CEO	CFO	General Counsel
Year appointed	2013	2013	2014
Born	1958	1960	1960
Education	MA in Engineering from Cambridge University	MSc Business and Economics from the University of Stockholm	Bachelor of Laws (LLB), Post graduate Diploma in Legal Practice and Post graduate Diploma in Petroleum Law.
Previous experience	35 years' experience in the international oil and gas industry. CEO Fairfield Energy, CEO Acorn Oil & Gas, MD Europe & North Africa LASMO, Director of Operations at Monument Exploration.	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.	General Counsel at Seven Energy International Ltd, Partner and Head of Oil & Gas Law at Shepherd and Wedderburn LL P, General Manager, Legal & Commercial at Fairfield Energy, Group General Counsel at Delta Group and VP Legal & Negotiations EMEA at Anadarko.
Board and other assignments	Board member in PA Resources, Chairman of The Decommissioning Company NED Shandong Twin Marine.	–	–
Shareholding in PA Resources as per 31 Dec 2014	–	Direct Holding: 16,000	–



	Paul Elstone	Graham Goffey	Slimane Bouabbane
Position	Managing Director for the North Africa region.	Senior Vice President Exploration as well as Managing Director for the West Africa and North Sea regions.	VP Business Development
Year appointed	2012	2009	2010
Born	1951	1964	1973
Education	Higher Technical Education HND.	MSc Petroleum Geology and MBA.	MSc Offshore Engineering from Ecole Centrale Marseille, France & MBA from INSEAD.
Previous experience	Over 35 years' oil and gas experience in senior operations, project and general management positions at BP (UK, USA, Trinidad, Egypt, Azerbaijan, Venezuela), NIOC (Iran) and Aramco (Saudi Arabia)	Senior exploration and general management positions at LASMO, Paladin Resources, Sterling Energy.	Over 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 and other assignments	–	Director of the Oil and Gas Independents' Association UK and Treasurer Designate of the Geological Society of London.	Board member of MacArtney A/S (Denmark)
Shareholding in PA Resources as per 31 Dec 2014	–	Direct holding: 11,568	Direct holding: 1,000

5 year summary

		31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Average production	barrels/day	3,100	5,000	7,900	8,600	10,700
Revenue*	SEK 000,000s	603	1,049	1,847	1,450	1,823
EBITDA*	SEK 000,000s	–480	–494	1,185	889	1,276
EBITDA margin*		–79.6%	–47.1%	64.2%	61.3%	70.0%
Operating profit*	SEK 000,000s	–2,667	–1,234	–1,134	–1,933	490
Operating margin*		–442.2%	–117.6%	–61.4%	–133.3%	26.9%
Operating profit per share after dilution*	SEK	–23.56	–21.80	–580.57	–1,291.51	400.43
Income after financial items per share after dilution*	SEK	–26.79	–25.42	–887.34	–1,525.58	146.38
Profit margin*		–502.7%	–137.2%	–93.9%	–157.5%	9.8%
Earnings per share after dilution	SEK	–26.13	–21.54	–1,006.22	–1,392.26	–258.33
Return on equity		neg	neg	neg	neg	neg
Return on assets*		neg	neg	neg	neg	5.1%
Return on capital employed*		neg	neg	neg	neg	6.2%
Equity per share before dilution	SEK	–7.15	15.86	95.48	1,881.59	3,210.41
Equity per share after dilution	SEK	–7.15	15.86	95.48	1,881.59	3,210.41
Equity/assets ratio		neg	32.9%	24.7%	31.7%	44.1%
Debt/equity ratio		neg	99.8%	165.4%	141.4%	65.2%
Share price at end of period	SEK	1.13	8.95	55.10	584.08	2,066.33
Share price/equity per share before dilution	Times	neg	0.56	0.58	0.31	0.64
P/E multiple per share	Times	–0.04	–0.42	–0.05	–0.42	–8.00
Number of shares outstanding before dilution	Number	113,167,992	113,167,992	16,654,695	1,496,773	1,496,771
Number of shares outstanding after dilution	Number	113,167,992	113,167,992	16,654,695	1,496,773	1,496,771
Average number of shares outstanding before dilution	Number	113,167,992	56,616,263	1,953,588	1,496,771	1,224,733
Average number of shares outstanding after dilution	Number	113,167,992	56,616,263	1,953,588	1,496,771	1,224,733

* In connection with a change of accounting policies (see Note 2) revenue, EBITDA, the EBITDA margin, operating profit, the operating margin, operating profit per share after dilution, income after financial items per share after dilution, profit margin, return on assets and return on capital employed have been adjusted retrospectively.

Key ratio definitions

EBITDA is defined as operating profit excluding total depreciation, amortisation and 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 non-interest-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 000,000s	Notes	Jan–Dec 2014	Jan–Dec 2013
Revenue	2, 4	603	1,049
Production costs	2, 4, 5	–187	–490
Depletion oil and gas properties		–195	–197
Gross profit	2, 4	**222**	**362**
Other income	4	58	24
Capital loss	4	-	–462
Decommissioning costs	4	-	–469
Termination farm-out agreement	4	–826	-
Impairment losses	4, 15, 16, 17	–1,991	–542
General, administration and depreciation expenses	4, 6, 7, 8, 9, 10, 11	–129	–148
Operating profit	2, 4	**–2,667**	**–1,234**
Financial income	12	3	111
Financial expenses	12	–368	–316
Total financial items		**–365**	**–205**
Profit before tax		**–3,032**	**–1,439**
Income tax	2, 13	74	220
Profit for the year		**–2,957**	**–1,219**
Earnings per share before dilution	14	**–26.13**	**–21.54**
Earnings per share after dilution	14	**–26.13**	**–21.54**

Earnings per share are attributable to owners of the parent.

Statement of comprehensive income
Group

SEK 000,000s	Notes	Jan–Dec 2014	Jan–Dec 2013
Profit for the year		**–2,957**	**–1,219**
Other comprehensive income			
Items that may be reclassified into profit or loss			
Exchange differences during the year		353	11
Total items that may be reclassified into profit or loss		***353***	***11***
Other comprehensive income for the year		**353**	**11**
Total comprehensive income for the year		**–2,605**	**–1,208**

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

Statement of financial position
Group

SEK 000,000s	Notes	31 Dec 2014	31 Dec 2013
ASSETS			
Exploration and evaluation assets	4, 15, 17	2,510	3,650
Oil and gas properties	4, 15, 17	642	894
Machinery and equipment	4, 16	8	4
Financial assets	23	1	0
Deferred tax assets	13	-	50
Total non-current assets		**3,162**	**4,599**
Inventory	18	37	12
Accounts receivable and other receivables	19	205	440
Current tax assets	13	10	6
Cash and cash equivalents		148	403
Total current assets		**399**	**861**
TOTAL ASSETS		**3,561**	**5,460**
EQUITY			
Equity attributable to owners of the parent			
Share capital		1,415	1,415
Other capital contributions		5,050	5,050
Reserves		–725	–1,078
Retained earnings and profit for the year		–6,549	–3,592
Total equity		**–810**	**1,795**
LIABILITIES			
Interest-bearing loans and borrowings	20	-	1,433
Deferred tax liabilities	13	543	343
Provisions	21	662	250
Other non-interest-bearing liabilities	22	30	-
Total non-current liabilities		**1,235**	**2,026**
Provisions	21	1	2
Current tax liabilities	13	88	159
Current interest-bearing loans and borrowings	20	2,468	761
Accounts payable and other liabilities	22	578	716
Total current liabilities		**3,135**	**1,639**
TOTAL EQUITY AND LIABILITIES		**3,561**	**5,460**
PLEDGED ASSETS	25	**725**	**469**
CONTINGENT LIABILITIES	25	**-**	**14**

Statement of changes in equity

Group

		Equity attributable to owners of the parent				
SEK 000,000s	Notes	Share capital	Other capital contribution	Reserves	Retained earnings and profit for the year	Total
Balance at 1 January 2013		709	4,342	–1,089	–2,372	1,590
Total comprehensive income for the year				11	–1,219	–1,208
Transactions with shareholders						
Rights issues		1,596	–183			1,413
Reduction share capital		–1,118	1,118			-
Stock dividend		226	–226			-
Closing balance at 31 December 2013		**1,415**	**5,050**	**–1,078**	**–3,592**	**1,795**
Balance at 1 January 2014		1,415	5,050	–1,078	–3,592	1,795
Total comprehensive income for the year				353	–2,957	–2,605
Closing balance at 31 December 2014		**1,415**	**5,050**	**–725**	**–6,549**	**–810**

The share capital as per 31 December 2014 was distributed among 113,167,992 shares with a share quota value of SEK 12.50. No dividend was decided on for the 2013 financial year or previous financial years. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2014 financial year. Reserves pertain to effects from translation of operations in foreign currency.

Statement of cash flow
Group

SEK 000,000s	Notes	Jan–Dec 2014	Jan–Dec 2013
Cash flow from operating activities			
Income after financial items*	2	–3,032	–1,439
Adjustments for non-cash items			
Depreciation, amortisation and impairment losses	15, 16, 17	2,186	740
Termination farm-out agreement	4	826	-
Capital loss	4	-	462
Decommissioning costs	4	-	469
Change over-/or underlift position	2	25	87
Other items including accrued interest and exchange differences		216	51
Income tax paid		–165	–152
Total cash flow from operating activities before changes in working capital		**56**	**217**
Change in receivables		139	–167
Change in liabilities		–303	–429
Cash flow from changes in working capital		**–164**	**–596**
Cash flow from operating activities		**–108**	**–379**
Cash flow from investing activities			
Proceeds from farm-out		65	-
Investments in exploration and evaluation assets	4, 15	–139	–163
Investments in oil and gas properties	4, 15	–25	–105
Investments in machinery and equipment	4, 16	–2	–2
Cash flow from investing activities		**–101**	**–271**
Cash flow from financing activities			
Rights issues		-	1,413
Loans raised		182	764
Amortisation of debt		–237	–1,182
Cash flow from financing activities		**–55**	**995**
Cash flow for the year		**–264**	**345**
Cash and cash equivalents at the beginning of year		403	58
Exchange rate difference in cash and cash equivalents		9	-
Cash and cash equivalents at end of the year		**148**	**403**

* The amount includes interest received at SEK 1 million (5), of which SEK 0 million (0) is attributable to current operations, and SEK 1 million (5) to financing activities and interest paid at SEK 63 million (203), of which SEK 0 million (0) is attributable to current operations and SEK 63 million (203) to financing activities.

Income statement
Parent company

SEK 000,000s	Notes	Jan–Dec 2014	Jan–Dec 2013
Other income	4	15	32
Termination farm-out agreement	4	–168	-
Impairment losses	4, 15, 16, 17	-	–97
General, administration and depreciation expenses	4, 6, 7, 8, 9, 10, 11	–47	–57
Operating profit	4	**–199**	**–122**
Result from participations in Group companies	26	–2,623	–2,234
Financial income and similar	12	460	237
Financial expenses and similar	12	–297	–336
Total financial items		**–2,459**	**–2,333**
Profit before tax		**–2,659**	**–2,456**
Income tax	13	0	–103
Profit for the year		**–2,658**	**–2,559**

Statement of comprehensive income
Parent company

SEK 000,000s	Notes	Jan–Dec 2014	Jan–Dec 2013
Profit for the year		**–2,658**	**–2,559**
Other comprehensive income			
Total items that may be reclassified into profit or loss		-	-
Total comprehensive income for the year		**–2,658**	**–2,559**

Balance sheet
Parent company

SEK 000,000s	Notes	31 Dec 2014	31 Dec 2013
ASSETS			
Shares in subsidiaries	24	241	1,374
Receivables Group companies	23	808	3,066
Other long-term receivables	23	-	502
Total non-current assets		**1,050**	**4,942**
Current tax assets	13	0	1
Other receivables	19	2	154
Prepaid expenses and accrued income	19	1	8
Cash and cash equivalents		88	363
Total current assets		**92**	**526**
TOTAL ASSETS		**1,141**	**5,468**
SHAREHOLDERS' EQUITY			
Share capital		1,415	1,415
Statutory reserve		115	985
Total restricted equity		***1,530***	***2,400***
Share premium reserve		-	2,888
Profit/loss brought forward and profit for the year		–2,658	–3,758
Total non-restricted equity		***–2,658***	***–870***
Total shareholders' equity		**–1,128**	**1,530**
LIABILITIES			
Liabilities Group companies	23	-	1,882
Interest-bearing loans and borrowings	20	-	1,433
Total non-current liabilities		**-**	**3,315**
Liabilities Group companies	23	22	-
Accounts payable	22	1	3
Other liabilities	22	0	0
Deferred tax liabilities	13	-	0
Current interest-bearing loans and liabilities	20	2,191	536
Accrued expenses and prepaid income	22	56	83
Total current liabilities		**2,270**	**623**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,141**	**5,468**
PLEDGED ASSETS	25	**18**	**18**
CONTINGENT LIABILITIES	25	**-**	**14**

Statement of changes in equity
Parent company

		Restricted equity		Non-restricted equity			
SEK 000,000s	**Notes**	**Share capital**	**Statutory Reserve**	**Other capital contribution**	**Retained earnings**	**Profit for the year**	**Total**
Balance at 1 January 2013		709	985	3,072	–1,399	–691	2,676
Transfer of previous year's result					–691	691	-
Total comprehensive income						–2,559	–2,559
Merger result					0		0
Transactions with shareholders							
Rights issues		1,596		–183			1,413
Reduction share capital		–1,118			1,118		-
Stock dividend		226			–226		-
Closing balance at 31 December 2013		**1,415**	**985**	**2,888**	**–1,199**	**–2,559**	**1,530**
Balance at 1 January 2014		1,415	985	2,888	–1,199	–2,559	1,530
Transfer of previous year's result			–870	–2,888	1,199	2,559	0
Total comprehensive income						–2,658	–2,658
Closing balance at 31 December 2014		**1,415**	**115**	**-**	**-**	**–2,658**	**–1,128**

Total shareholders' equity in the parent company amounted to SEK –1,128 million at year-end 2014, which is less than one-half of the registered share capital of SEK 1,415 million. As a consequence, the company's board of directors resolved to prepare a balance sheet for liquidation purposes. The balance sheet showed, after adjustments, that shareholders' equity was still less than one-half of the registered share capital.

As a subsequent event, the board of directors convened an extraordinary general meeting at which the proposal to put the company in to liquidation was rejected, for more information see note 29. The equity must be restored prior to another extra general meeting which is to be held within eight months after the initial meeting.

Statement of cash flow
Parent company

SEK 000,000s	Notes	Jan–Dec 2014	Jan–Dec 2013
Cash flow from operating activities			
Income after financial items*		–2,659	–2,456
Adjustments for non-cash items			
Depreciation, amortisation and write-downs	15, 16, 17	-	97
Termination farm-out agreement	4	168	-
Impairment losses participations in Group companies	26	1,730	1,142
Impairment losses Intercompany receivables	26	1,125	1,385
Dividend recieved		–232	–293
Other items including accrued interests and exchange gains and losses (net)		–167	–110
Income tax paid		-	-
Total cash flow from operating activities before changes in working capital		**–35**	**–235**
Change in receivables		–22	14
Change in liabilities		–40	–28
Cash flow from changes in working capital		**–62**	**–14**
Cash flow from operating activities		**–97**	**–249**
Cash flow from investing activities			
Loans given to subsidiaries		–123	–566
Merger subsidiaries		-	0
Investments in exploration and evaluation assets	15	-	–6
Cash flow from investing activities		**–123**	**–572**
Cash flow from financing activities			
Rights issues		-	1,413
Loans raised		182	728
Amortisation of debt		–237	–974
Cash flow from financing activities		**–55**	**1,168**
Cash flow for the year		**–275**	**347**
Cash and cash equivalents at the beginning of year		363	16
Cash and cash equivalents at end of the year		**88**	**363**

* The amount includes interest received at SEK 1 million (4), of which SEK 0 million (0) is attributable to current operations, and SEK 1 million (4) to financing activities and interest paid at SEK 49 million (185), of which SEK 0 million (0) is attributable to current operations and SEK 49 million (185) to financing activities.

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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 2014 were approved for publication by the Board of Directors on 23 June 2015 and will be submitted for adoption at the Annual General Meeting on 28 July 2015.

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 could be reported at fair value. Group's outstanding over-/ or underlift positions of hydrocarbons are valued at the balance sheet date and recognised as if the positions have been sold. Valuations are performed either with Brent spot price at the balance sheet date taking eventual discount or premium into consideration or with prevailing contract prices. Unless otherwise indicated, all amounts are reported in millions of Swedish kronor (SEK million).

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.

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 4 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 fulfill 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 2014	Average rate Jan–Dec 2014	Closing day rate 31 Dec 2013	Average rate Jan–Dec 2013
1 EUR in SEK	9.52	9.10	8.94	8.65
1 USD in SEK	7.81	6.86	6.51	6.51
1 TND in SEK	4.19	4.04	3.94	4.01
1 NOK in SEK	1.05	1.09	1.06	1.11
1 GBP in SEK	12.14	11.29	10.73	10.19
1 DKK in SEK	1.28	1.22	1.20	1.16

Cont. Note 2

New presentation format – Income statement and changed accounting policies
PA Resources decided in the first quarter 2014 to change the presentation format for the income statement and also to change certain accounting policies impacting revenue, production costs and income tax. Changed accounting policies do not impact the net result in the previous and current year. Even though the previously applied policies, as presented in the income statement were in full compliance with IFRS, the assessment is now that the new presentation and changed policies provide a better presentation and more relevant information for the reader. PA Resources is doing this on a voluntary basis and there are no historical errors. PA Resources has changed the accounting policies in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, as summarised below:

Revenue
PA Resources recognises revenue based on the sale of oil and gas net after royalty and tax oil taken in kind. Under the previous policy, the company recognised revenue based on the working interest share, i.e. revenue before deduction of royalty and tax oil. The current policy does not include revenue from royalty or tax oil, hence no royalty and tax oil are deducted from production costs or from income tax. PA Resources still valuates its over-/ or underlift position of hydrocarbons and reflects the change in revenue.

Production costs (Direct production taxes)
As part of production costs PA Resources includes direct production taxes (royalty) paid in cash. The previous policy also included costs from royalty in kind, since it was included as revenue.

Income tax
PA Resources income tax consists of current tax and deferred tax. The previous policy also included costs from tax oil paid in kind since it was included as revenue.

There is no impact on the net result in the previous or current reported year. The table below shows full year 2013 with new policies, as well as 2013 according to previous policies. The income statement has been retrospectively adjusted for 2013. There is no impact in equity or in other sections of the balance sheet. Since income after financial items has been changed from SEK –1,340 million to SEK –1,439 million, there is also an adjusted non-cash item in the cash flow statement on the line "change in over-/ or underlift" position, where the full year 2013 has been changed from SEK –12 million to SEK 87 million.

Gross profit
PA Resources includes revenue, direct production taxes (royalty) according to the description above and the cost of production (OPEX) and depletion for oil and gas properties. Impairment losses, decommissioning costs and general, administration and depreciation expenses are not included in gross profit.

SEK 000,000s	Previous accounting policies Full year 2013	Impact from changed accounting policies	New accounting policies Full year 2013
Revenue	1,287	–238	1,049
Production costs	–629	139	–490
Depletion oil and gas properties	–197	-	–197
Gross profit	**462**	**–100**	**362**
Other income	24	-	24
Capital loss	–462	-	–462
Decommissioning costs	–469	-	–469
Impairment losses	–542	-	–542
General, administration and depreciation expenses	–148	-	–148
Operating profit	**–1,135**	**–99**	**–1,234**
Financial income	111	-	111
Financial expenses	–316	-	–316
Total financial items	**–205**	**-**	**–205**
Profit before tax	**–1,340**	**–99**	**–1,439**
Income tax	121	99	220
Profit for the year	**–1,219**	**-**	**–1,219**

Cont. Note 2

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 changed its way of recognition in 2014, see more above. 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.

Production costs (Direct production taxes)
Current license terms for some producing oil fields require direct production taxes (royalties) to be paid. PA Resources changed its way of recognition in 2014, see more above.

Remunerations to employees, Board of Directors and Group management

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 defined-contribution plans are the only pension schemes in place within PA Resources. More information regarding the expenses during the financial year is provided in Note 10, 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 license 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 license/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.

Joint arrangements
PA Resources applies IFRS 11 as of 1 January 2014 and the implementation has no impact on the financial statements of the Group or the parent company. PA Resources has interests in licenses in the North Africa, West Africa and the North Sea and recognises investments in joint operations (exploration and evaluation assets as well as oil and gas properties) by reporting its share of related revenue, expenses, assets, liabilities and cash flows under the respective items in the Group'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, PA Resources recognises its share of related revenue, expenses, assets, liabilities and cash flows on a line-by-line-basis in the financial statements in accordance with applicable IFRS.

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.

Depletion oil and gas properties
Depletion of oil and gas properties commences in conjunction with the start of production and are calculated using the Unit of Production Method and are depleted 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 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. 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 17 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.

Cont. Note 2

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.

Over-/ or underlift positions of hydrocarbons
PA Resources' over-/ or underlift 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 over-/ or underlift 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.

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

Cont. Note 2

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 reliably 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. PA Resources changed its way of recognition in 2014, see more above.

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 9 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 2013, except for the changes specified above. 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 2014, were taken into consideration.

Note 2.3 Standards, amendments and interpretations that were adopted by the EU and which entered force in 2014.

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, 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. The implementation of IFRS 10 had not any impact on the Group's financial statements.

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

This standard is to be applied 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 a joint arrangement, the entity shall determine whether a party has control over another party i.e. whether control exists 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.

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IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IAS 28 is essentially similar to the previous version of IAS 28 and is to be applied for financial years that start on or after 1 January 2014.

PA Resources has interests in licenses in the regions North Africa, West Africa and the North Sea. 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 relating to the arrangement. PA Resources recognises investments in joint operations (oil and gas properties) by reporting its share of related revenue, expenses, assets, liabilities and cash flows on a line-by-line-basis in the financial statements. For those licenses that are not defined as a joint arrangement under the definition in IFRS 11 because there is no joint control, PA Resources recognises its share of related revenue, expenses, assets, liabilities and cash flows on a line-by-line-basis in the financial statements in accordance with applicable IFRS.

The implementation of IFRS 11 had not any impact on the Group's financial statements.

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. The implementation of IFRS 12 has resulted in more extensive disclosure requirements than previously but had not any impact on 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.

The implementation of the amendment had not any impact on the Group's financial statements.

Note 2.3.1 Standards, amendments and interpretations which have not yet entered into force and have not been applied prospectively by the Group.
The comments below pertain only to the standards, amendments and interpretations that have not yet entered into force, but are deemed to be relevant and may have an effect on PA Resources' future financial reports.

IFRS 9, Financial Instruments: Recognition and Measurement

IFRS 9, Financial Instruments shall be applied on 1 January 2018 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The new standard has been revised in different sections, one section relates to the recognition and measurement of financial assets and financial liabilities. The EU has not yet approved the standard. The Group has yet to evaluate the impact of the standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 shall be applied from 1 January 2017. The standard replaces the previously issued standards and interpretations relating to revenue. IFRS 15 provides a model for revenue recognition of customer contracts. The EU has not yet approved the standard. The Group has yet to evaluate the impact of the standard.

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 15 Exploration and evaluation assets as well as oil and gas properties and Note 17 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 13 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

Cont. Note 2

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 21 Provisions.

Going concern

PA Resources applies going concern on its annual accounts. See Note 27.

Note 2.5 Significant judgements 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 2014 and 2013 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.

At year-end 2014 the farm-out agreements of 70 percent interest in each of the Didon Field and Zarat license were terminated. Further to the termination, PA Resources accounts for the legal entity Hydrocarbures Tunisie Didon Ltd, holding 70 percent of the Didon Field. As a result, PA Resources Group is the sole holder of the Didon Field as well as the Zarat license.

In 2014, the Group disposed its interest in the Netherlands offshore Blocks Q7 and Q10a to Tulip Oil. Furthermore, PA Resources was awarded license P 2184 including Blocks 22/18c and 22/19d in UK's 28th Seaward Licensing Round.

In 2013, the Group relinquished license 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 licenses by farming out a 70 percent interest to EnQuest. Working interests were also reduced by farming out 60 percent in MPS to SOCO, and 40 percent in license 12/06 and 56 percent in license B20008/73 to Dana Petroleum.

Note 4 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 the Greenlandic license in PA Resources AB, which in 2013 before relinquishment was 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 reportable operating segments:

- North Africa: Hydrocarbures Tunisie Corp, Hydrocarbures Tunisie El Bibane Ltd, PA Resources Overseas Ltd, Hydrocarbures Tunisie Didon Ltd.
- West Africa: PA Energy Congo Ltd, Osborne Resources Ltd.
- North Sea: PA Resources UK Ltd, PA Resources E&P services Ltd, PA Resources Denmark ApS.
- 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.

Revenue originates from external sales. The Group's customers consist of a small number of major international oil and trading companies. Total revenue amounted to SEK 603 million (1,049), whereof revenue from external customers outside the region amounted to SEK 590 million (937). Revenues from external customers exceeding 10 percent of Group revenue pertained to one customer and amounted for "Customer 1" to SEK 590 million (937) corresponding to 98 percent (89). PA Resources AB has no revenue and no sales take place in Sweden.

Production costs includes costs for day-to day operations such as, but not limited to, leasing of equipment and vessels, maintenance and repair of Group's facilities and direct production taxes (royalty in cash). PA Resources AB has no production costs.

Other external income pertains mainly to sales of services to external companies. 2014 included a reversed provision of SEK 31 million. Other internal income and expenses pertain mainly to sales of services to other companies within the Group.

Capital loss of SEK –462 million reported in 2013 pertains to the Tunisian farm-out of 70 percent of the Didon Field and 70 percent of the Zarat license. Decommissioning costs of SEK -469 million reported in 2013 pertains to the early abandonment of the Azurite Field in the West Africa region.

Cash and cash equivalents is included in below current assets with an amount of SEK 148 million (403) and refer only to cash at banks. The Group receives interest on available cash in banks according to variable interest rates on the daily bank balances in each country. Neither PA Resources AB nor any subsidiary had any bank overdraft facility as per 31 December 2014 (2013).

Cont. Note 4

January–December

Income statement SEK 000,000s	North Africa 2014	North Africa 2013	West Africa 2014	West Africa 2013	North Sea 2014	North Sea 2013	Other/Group 2014	Other/Group 2013	Group elimination 2014	Group elimination 2013	Total 2014	Total 2013
Revenue	153	257	450	792	-	-	-	-	-	-	603	1,049
Production costs	–82	–194	–105	–295	-	-	-	-	-	-	–187	–490
Depletion oil and gas properties	–97	–115	–98	–82	-	-	-	-	-	-	–195	–197
Gross profit	**–25**	**–52**	**247**	**414**	**-**	**-**	**-**	**-**	**-**	**-**	**222**	**362**
Other income	15	15	36	0	27	20	15	32	–36	–43	58	24
whereof internal income	-	-	4	-	16	11	15	32	–36	–43	-	-
Capital loss	-	–462	-	-	-	-	-	-	-	-	-	–462
Decommissioning costs	-	-	-	–469	-	-	-	-	-	-	-	–469
Termination farm-out agreement	–659	-	-	-	-	-	–168	-	-	-	–826	-
Impairment losses	–1,084	-	–819	–354	–88	–188	-	-	-	-	–1,991	–542
General, administration and depreciation expenses	–23	–36	–36	–33	–56	–25	–50	–59	35	5	–129	–148
whereof internal expenses	–15	4	–17	–9	–2	–	–1	–1	35	5	-	-
Operating profit	**–1,775**	**–534**	**–572**	**–442**	**–117**	**–193**	**–202**	**–27**	**–1**	**–38**	**–2,667**	**–1,234**
Total financial items											–365	–205
Profit before tax											**–3,032**	**–1,439**
Income tax											74	220
Profit for the year											**–2,957**	**–1,219**

31 December

Balance sheet SEK 000,000s	North Africa 2014	North Africa 2013	West Africa 2014	West Africa 2013	North Sea 2014	North Sea 2013	Other/Group 2014	Other/Group 2013	Group elimination 2014	Group elimination 2013	Total 2014	Total 2013
Exploration and evaluation assets	1,591	2,024	476	1,176	442	450	-	-	-	-	2,510	3,650
Oil and gas properties	59	391	582	503	-	-	-	-	-	-	642	894
Machinery and equipment	5	1	-	-	4	2	-	-	-	-	8	4
Other non-current assets	1	0	-	-	-	-	241	1,926	–241	–1,876	1	50
Current assets	228	157	52	77	27	101	92	526	-	-	399	861
Total assets	**1,885**	**2,574**	**1,111**	**1,756**	**473**	**554**	**333**	**2,452**	**–241**	**–1,876**	**3,561**	**5,460**
Equity											-810	1,795
Liabilities											4,370	3,665
Total equity and liabilities											**3,561**	**5,460**
Investments in exploration and evaluation assets	55	7	69	111	15	40	-	6	-	-	139	163
Investments in oil and gas properties	17	19	7	86	-	-	-	-	-	-	25	105
Investments in machinery and equipment	0	1	-	-	2	2	-	-	-	-	2	2

Termination farm-out agreement
According to the terminated farm-out agreements of 70 percent interest in each of the Didon Field and the Zarat license to EnQuest, PA Resources reversed the remuneration retained in escrow awaiting a letter of non-objection from the Tunisian authorities. Further to the termination PA Resources included 70 percent of Zarat in its exploration and evaluation assets and 70 percent of Didon in its oil and gas assets. Didon was valuated to zero in accordance with made impairment tests. Abandonment provision as well as deferred taxes was adjusted accordingly with respect to both Didon and Zarat.

SEK 000,000s	Jan–Dec 2014
Terminated upfront payment	–180
Adjustment abandonment provision	–259
Adjusted deferred taxes	–372
Other	–15
Total	**–826**

Note 5 Production costs

The parent company has no production costs.

SEK 000,000s	Group Jan–Dec 2014	Group Jan–Dec 2013
Cost of operations	–176	–473
Direct production taxes	–10	–17
Total production costs	**–187**	**–490**

Note 6 General, administration and depreciation expenses

SEK 000,000s	Notes	Group		Parent company	
		Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Other external expenses	7, 8, 9	–62	–85	–30	–36
Other internal expenses	7	-	-	–1	–1
Personnel expenses	10, 11	–66	–63	–16	–21
Depreciation machinery and equipment	16	–1	–1	-	0
Impairment losses machinery and equipment	16	-	-	-	-
Total general, administration and depreciation expenses		**–129**	**–148**	**–47**	**–57**

Note 7 Other expenses

SEK 000,000s	Group		Parent company	
	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
External consultants	–29	–42	–24	–32
Rent & Office	–13	–17	–5	–4
Travel expenses	–3	–3	–1	–1
License related expenses	–22	–14	–1	-
Activated work - own account	28	18	1	1
Other internal expenses	-	-	–1	–1
Exchange losses	–11	–7	-	0
Other	–12	–20	–1	2
Total other expenses	**–62**	**–85**	**–31**	**–37**

Note 8 Remuneration to auditors

SEK 000,000s with one decimal	Group		Parent company	
	Jan–Dec 2014	Jan–Dec 2013	Jan–Dec 2014	Jan–Dec 2013
Ernst & Young AB, audit referred to audit engagement	2.6	2.7	2.0	2.0
Ernst & Young AB, audit outside audit engagement	-	1.1	-	1.1
Ernst & Young, tax consultancy	0.1	0.2	0.1	0.1
Ernst & Young AB, other services	0.1	1.5	0.1	0.4
PricewaterhouseCoopers, audit referred to audit engagement	0.1	0.3	-	-
PricewaterhouseCoopers, tax consultancy	-	1.6	-	-
PricewaterhouseCoopers, other services	-	0.5	-	-
Chantrey Vellacott, audit referred to audit engagement	0.5	0.3	-	-
Chantrey Vellacott, other services	0.0	0.4	-	-
Total	**3.5**	**8.7**	**2.2**	**3.6**

Note 9 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 19 million (28) for the 2014 financial year. Future payment commitments for lease agreements within the Group are stated in the table below:

	2014			
SEK 000,000s	Premises	Production/ related	Other	Total
Maturity year 2015	2	-	0	3
Maturity year 2016–2019	4	-	0	4
Maturity year 2020 and after	-	-	-	-

	2013			
SEK 000,000s	Premises	Production/ related	Other	Total
Maturity year 2014	2	-	0	3
Maturity year 2015–2018	6	-	0	6
Maturity year 2019 and after	-	-	-	-

Note 10 Employees, salaries and other remuneration

	Jan–Dec 2014		Jan–Dec 2013	
	Average number of employees	Of which men in percent	Average number of employees	Of which men in percent
Parent company	8	63	9	67
Subsidiaries	113	83	127	83
Group Total	**121**	**82**	**136**	**82**
Of which Sweden	8	63	9	67
Of which United Kingdom	20	70	17	76
Of which Tunisia	93	86	110	84
Group Total	**121**	**82**	**136**	**82**

Average number of persons broken down for Board of Directors and Group Management

	Jan–Dec 2014		Jan–Dec 2013	
	Number	Of which men in percent	Number	Of which men in percent
Parent company				
Board of Directors	6	100	5	100
Group management	2	100	2	100
Group Total				
Board of Directors	6	100	5	100
Group management	6	100	2	100

Salaries, remuneration, social contributions and pension costs

	Jan–Dec 2014			Jan–Dec 2013		
SEK 000,000s	Salaries and other remuneration	Social security contributions	Pension costs	Salaries and other remuneration	Social security contributions	Pension costs
Sweden (Parent company)	11	4	1	15	3	2
Subsidiaries	43	5	3	35	3	3
Group Total	**53**	**8**	**5**	**51**	**8**	**4**

Total salaries and other remuneration includes salaries, directors' fees and other compensation. PA Resources has a defined-contribution pension plan.

Note 11 Remuneration and other benefits; Board of Directors and Group Management of the Parent Company

SEK 000,000s with one decimal	Jan–Dec 2014 Salary/ Board fees	Remunerations	Other benefits	Pension costs	Other remunerations	Total
Sven A. Olsson (Former Chairman of the Board)	0.1	-	-	-	-	0.1
Jérôme Schurink (Chairman of the Board)	0.4	-	-	-	-	0.4
Nils Björkman (Board member)	0.3	-	-	-	-	0.3
Paul Waern (Board member)	0.3	-	-	-	-	0.3
Philippe Probst (Board member)	0.3	-	-	-	0.0	0.3
Philippe Ziegler (Board member)	0.3	-	-	-	-	0.3
Mark McAllister (President & CEO)	3.4	-	0.1	0.5	-	3.9
Other Group Management	8.1	-	0.2	1.4	4.2	14.0

SEK 000,000s with one decimal	Jan–Dec 2013 Salary/ Board fees	Remunerations	Other benefits	Pension costs	Other remunerations	Total
Hans Kristian Röd (Former Chairman of the Board)	0.1	-	-	-	-	0.1
Lars Olov Nilsson (Former Board member)	0.1	-	-	-	-	0.1
Per Jakobsson (Former Board member)	0.1	-	-	-	-	0.1
Catharina Nystedt-Ringborg (Former Board member)	0.1	-	-	-	-	0.1
Sven A. Olsson (Chairman of the Board)	0.4	-	-	-	-	0.4
Nils Björkman (Board member)	0.2	-	-	-	-	0.2
Paul Waern (Board member)	0.3	-	-	-	-	0.3
Philippe Probst (Board member)	0.2	-	-	-	0.2	0.4
Philippe Ziegler (Board member)	0.2	-	-	-	-	0.2
Group Management (CEO and CFO)	3.7	0.4	0.2	0.7	1.8	6.7

The CEO had a base salary of GBP 0.3 million, approximately SEK 3.4 million, in 2014. Other Group Management consists of five persons. One of these works under a consultancy agreement and his total compensation is included under other compensation. Two other members of the management team received stay on bonus payments under an old program which is expiring, also these payments are included in other compensation.
All pension costs for CEO and the management team are defined contribution based. Other benefits relates to company car benefits or compensation for company cars.

The long term incentive program introduced for 2014 was cancelled early 2015. No payments were made under the program and there is no outstanding liability arising from this program. It is the board's intention to introduce a new program after a completed refinancing.

PA Resources has a short term incentive program which gives the CEO the annual opportunity to earn up to 50 percent of base salary based on achievement of agreed targets. The corresponding opportunity for the rest of the management team is 40 percent. For 2014 the board decided to extend the program from 12 months to 18 months, i. e. to include also the second quarter 2015, and to increase the maximum opportunity pro rata. Any decisions on outcome will be made after the completed refinancing excercise.

The CEO has a notice period of twelve months from the company and three months from the employee. Other members of the management team have notice periods of between 3 and 12 months. One member is entitled to a severance payment of six months which can be triggered by a change in the Group's majority ownership.

Compensation to board members 2014 represent 75 percent of board fees as decided by the Annual General Meeting 2014 and 25 percent of the fees decided by the Annual General Meeting 2013. The CEO receives no board fee. For further information regarding guidelines for remuneration, see page 31.

Note 12 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 000,000s	**Jan–Dec 2014**	**Jan–Dec 2013**	**Jan–Dec 2014**	**Jan–Dec 2013**
Interest income	3	11	103	99
Exchange gains	-	100	324	93
Other financial items	0	-	34	45
Total financial income (net)	**3**	**111**	**460**	**237**
Interest expense	–256	–265	–236	–283
Exchange losses	–87	-	-	-
Other financial items	–25	–51	–61	–53
Total financial expenses (net)	**–368**	**–316**	**–297**	**–336**

Of the year's total financial income in the Parent company, SEK 952 million (895) refers to income from Group companies.
Of the year's total financial expenses in the Parent company, SEK 580 million (850) refers to expenses from Group companies.

Note 13 Income tax

The tax charge for the years 2014 and 2013 pertains to the components reported in the tables below. The tables also show deferred tax assets and liabilities as at 31 December 2014 and 2013. 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 000,000s)	**Jan–Dec 2014**	**Jan–Dec 2013**	**Jan–Dec 2014**	**Jan–Dec 2013**
Current income tax relating to:				
Current income tax				
Current income tax for the year	–92	–85	-	-
Adjustment of income tax prior year	10	-	-	-
	–82	**–85**	**-**	**-**
Deferred income tax				
Origin and reversal of temporary differences	160	267	0	–103
Adjustment of deferred income tax prior year	–3	38	-	-
	156	**305**	**0**	**–103**
Total income tax reported in the income statement	**74**	**220**	**0**	**–103**

Cont. Note 13

Reconciliation of effective income tax (SEK 000,000s)	Group Jan–Dec 2014	Group Jan–Dec 2013	Parent company Jan–Dec 2014	Parent company Jan–Dec 2013
Profit before tax	–3,032	–1,439	–2,659	–2,456
Income tax expense according to applicable tax rate 22 percent (22 percent) in Sweden	667	112	585	540
Adjustment for tax conditions and tax rates in other countries	446	1	-	-
Tax effect farm-out Tunisia	-	244	-	-
Tax effect termination farm-out agreement Tunisia	–371	-	–37	-
Non-deductible income statement items tax effect	–420	–140	–670	–605
Non-taxable income statement items	405	43	82	72
Temporary differences and deficiencies for which deferred income tax has not been accounted for	–620	-	-	-
De-recognition deferred tax assets in prior year	–92	–55	-	–105
Non-recognized deferred tax asstes on current year's loss	52	–29	40	–6
Adjustment of income tax prior year	7	38	-	-
Other	0	5	-	-
Total income tax	**74**	**220**	**0**	**–103**

Deferred tax liabilities (net) (SEK 000,000s)	Group balance sheet 31 Dec 2014	Group balance sheet 31 Dec 2013	Group income statement Jan–Dec 2014	Group income statement Jan–Dec 2013	Parent company balance sheet 31 Dec 2014	Parent company balance sheet 31 Dec 2013	Parent company income statement Jan–Dec 2014	Parent company income statement Jan–Dec 2013
Deferred tax referred to participating interests in oil fields	535	379	200	–8	-	-	-	-
Deferred tax referred to oil sales	2	–6	15	–8	-	-	-	-
Deferred tax referred to convertible bond	-	0	0	1	-	0	0	1
Tax losses carry forward	0	-	–81	-	-	-	-	-
Deferred tax on other temporary differences	6	–80	21	320	-	-	-	–105
Total deferred tax liabilities (net)	**543**	**293**			**-**	**0**		
Deferred tax income, net			**156**	**305**			**0**	
Deferred tax expenses, net								**–103**

Accumulated losses carried forward in the Group amounted to SEK 1,909 million (1,727), and in the Parent company to SEK 736 million (912). The accumulated losses carried forward in the Parent company are effective for the foreseeable future. Out of the total amount within the Group an amount of SEK 64 million fall due in 2017 and an amount of SEK 40 million fall due in 2018.

Note 14 Earnings per share

	2014	2013
Earnings per share before dilution (SEK)	–26.13	–21.54
Profit for the year (SEK 000,000s)	–2,957	–1,219
Profit for the year attributable to ordinary equity holders of the parent company	**–2,957**	**–1,219**
Weighted average number of ordinary shares during the year	113,167,992	56,616,263
Earnings per share before dilution (SEK)	**–26.13**	**–21.54**

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.

Per 31 December 2014 there were no convertible bonds outstanding and thereby no dilution effects existed. The calculations for earnings per share after dilution only include those shares that give rise to a dilution effect. For the outstanding convertible bonds in 2013, a positive impact on earnings per share would have been the result. The applicable accounting policies (IAS 33) do not allow inclusion of a positive effect. The earnings per share were thus reported after dilution excluding the dilutive effect of convertible bonds outstanding. Bearing this limitation in mind, earnings per share after dilution corresponded to earnings per share before dilution.

Note 15 Exploration and evaluation assets and Oil and gas properties

	Group		Parent company
SEK 000,000s	**Exploration and evaluation assets**	**Oil and gas properties**	**Exploration and evaluation assets**
At 1 January 2013	3,737	8,322	92
Investments	163	105	6
Revaluation asset retirement obligations	-	9	-
Farm-out	-	–2,454	-
Disposals	–36	–144	–97
Disposals discountinued operations	-	-	-
Reclassifications	593	–27	-
Exchange rate differences	303	–274	-
At 31 December 2013	**4,760**	**5,537**	**-**
Investments	139	25	-
Termination farm-out agreement	15	2,589	-
Disposals	–141	–3,790	-
Reclassifications	–70	92	-
Exchange rate differences	913	1,061	-
At 31 December 2014	**5,616**	**5,514**	**-**
Depreciation, amortisation and write-downs			
At 1 January 2013	–339	–6,196	-
Farm-out	–88	1,587	-
Depreciation charge for the year	-	–197	-
Write-downs for the year	–521	–21	–97
Disposals	96	74	97
Reclassifications	–361	217	-
Exchange rate differences	104	–107	-
At 31 December 2013	**–1,109**	**–4,643**	**-**
Termination farm-out agreement	-	–2,589	-
Depreciation charge for the year	-	–195	-
Write-downs for the year	–1,701	–290	-
Disposals	129	3,790	-
Reclassifications	-	–1	-
Exchange rate differences	–424	–946	-
At 31 December 2014	**–3,105**	**–4,872**	**-**
Net book value:			
At 31 December 2013	3,650	894	-
At 31 December 2014	2,510	642	-

This year's impairment losses in exploration and evaluation assets as well as in oil and gas properties, totaling SEK 1,991 million was attributable to; impairment test due to significant fall in current and expected oil prices of SEK 1,957 million, for allocation per region see Note 4. Other impairment losses recognized in 2014 totaling SEK 34 million pertain to the disposal of Q7/Q10a in the North Sea region of SEK 18 million and to a write-down of SEK 16 million in the North Africa region.

The preceding years' impairment losses 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 losses 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.

In 2014 a receivable of SEK 22 million was reclassified from accounts receivable and other receivables to exploration and evaluation assets.

The accounting effect from the terminated farm-out agreement in Tunisia was a net increase of SEK 2 million in exploration and evaluation assets and SEK 0 million in oil and gas properties.

In 2013 a 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 17 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 exploration and evaluation assets nor any oil and gas properties.

Note 16 Machinery and equipment

SEK 000,000s	Group Machinery and equipment	Parent company Machinery and equipment
At 1 January 2013	39	1
Additions	2	-
Disposals	–11	-
Exchange rate differences	0	-
At 31 December 2013	**31**	**1**
Additions	2	-
Termination farm-out agreement	13	-
Disposals	–6	-
Exchange rate differences	6	-
At 31 December 2014	**46**	**1**
Depreciation, amortisation and write-downs		
At 1 January 2013	–35	–1
Depreciation charge for the year	–1	0
Disposals	9	-
Exchange rate differences	0	0
At 31 December 2013	**–27**	**–1**
Termination farm-out agreement	–11	-
Depreciation charge for the year	–1	-
Disposals	6	-
Reclassifications	1	-
Exchange rate differences	–5	-
At 31 December 2014	**–38**	**–1**
Net book value:		
At 31 December 2013	4	-
At 31 December 2014	8	-

Machinery and equipment increased with net SEK 2 million from terminated farm-out agreement in Tunisia.

Note 17 Impairment testing Exploration and evaluation assets and oil and gas properties

The cash generating units correspond to license 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 2015 through 2044 (2014–2043) 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 compared to the book values. The main variables used are as follows (assumptions for 2013 are expressed in parentheses):

- Discount rate before tax, interval of 9%–11% (9%–11%)
- 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 55 per barrel of oil, which thereafter increases to USD 68 per barrel of oil. From 2018 onwards, a 2.5% price inflation is applied.
- Forecast period: Estimated cash flows based on management expectations for the period 2015–2044 (2014–2043).

Each of the company's core assets are evaluated by applying the most current knowledge of production profile estimates, operating cost profiles, investment costs and macroeconomic factors in a Discounted Cash Flow model, taking in to account the fiscal terms of each individual license. For less mature assets, in certain cases, valuations are based on a price multiple for risked estimated volumes in place.

Discounted cash flows or multiple valuations generate asset values that are put in relation to current carrying amounts (book values), whereby an assessment is made whether any impairment is required.

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.

The large impairment needs are due to the revaluation of the Company's assets based on a significantly lower oil price outlook following the steep decline during the second half of 2014.

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

	31 Dec									
	North Africa		West Africa		North Sea		Other		Total	
SEK 000,000s	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Non-current assets for write-down assessment	**2,734**	**2,415**	**1,878**	**2,034**	**531**	**638**	**-**	**-**	**5,143**	**5,087**
Write-downs for the year	–1,084	-	–819	–354	–88	–188	-	-	–1,991	–542
Total (net)	**1,651**	**2,415**	**1,059**	**1,679**	**442**	**450**	**-**	**-**	**3,152**	**4,545**

See Note 15, Exploration and evaluation assets and oil and gas properties, for information about impairment losses for 2014 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 18 Inventories

	Group	
SEK 000,000s	2014	2013
At 1 January	15	39
Acquired on acquisition	24	-
Purchase	-	1
Used in production	–1	–26
Exchange differences	3	0
At 31 December before adjustment for obsolescence	**41**	**15**
Provisions for obsolescence	–4	–3
At 31 December	37	12

The Parent company has no inventory.

Note 19 Accounts receivable and other receivables

	Group		Parent company	
SEK 000,000s	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Accounts receivable non-interest bearing	32	141	-	-
Receivables against other related parties	17	204	-	-
Other current receivables	85	5	2	154
Prepaid insurance premium	0	2	0	0
Prepaid leasing fees	-	-	-	-
Prepaid rent	1	1	0	0
Accrued interest income	1	1	1	1
Prepaid license costs	0	0	-	0
Other prepaid expenses and accrued income	16	41	0	7
Accrued income over/- or underlift position	53	45	-	-
Total accounts receivable and other receivables	**205**	**440**	**4**	**162**

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 20 Interest-bearing loans and borrowings

Bond loans
At year-end, the Group had two bond loans outstanding which were both classified as current interest-bearing loans and borrowings. Even though some bond maturities lie further in to the future than 12 months, no part of the debt is categorized as non-current due to a re-classification on 30 September as a result of the ongoing refinancing discussions. The bond loans are detailed below:

1. NOK 675 million (810) nominal, with an annual effective coupon of 12.25 percent. The bond loan has a redemption schedule with a one remaining amortisation of NOK 135 million in April 2015 and final redemption of the remaining amount, NOK 540 million, on 5 April 2016. One amortization of NOK 135 million was paid in April 2014 according to plan. The bond is issued by the Parent company, is unsecured and is classified entirely under current interest-bearing loans and borrowings. The bond is not listed on any exchange.
2. SEK 750 million (750) nominal, with an annual effective coupon of 13.50 percent. The bond loan's maximum amount is SEK 1,000 million, of which SEK 750 million has been issued. The maturity date is 3 March 2016. The bond is issued by the Parent company, is unsecured and is classified entirely under current interest-bearing loans and borrowings.

Amortized interest-bearing loans and borrowings
During the year, PA Resources repaid the remaining SEK 93 million of the convertible bond loan. In addition, NOK 135 million has been amortized according to plan on an amortising bond loan with an original nominal value of NOK 900 million.

Financial covenants
Both 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 percent 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 percent.

As per 30 September PA Resources reclassified all of its non-current interest-bearing debt to current as a result of the ongoing refinancing discussions further described below.

Due to the impairments made as a result of the lower oil price environment and the costs associated with the terminated farm-out agreement for the company's Tunisian offshore assets, the Group equity decreased to SEK –810 million and the book equity to capital employed ratio became negative. By year end 2014, the Company was thereby in breach of their financial covenants, which were waived at the bondholders meeting on 25 February 2015.

Amendment to bond agreements
On 20 October 2014 the Group agreed with the Norwegian and Swedish Trustees, following a bond holder meeting for the NOK denominated bond and a written procedure with the bondholders of the SEK denominated bond, to defer interest payments originally due in October 2014 until February 2015. A further agreement was made in February, where the interest payments were deferred again until 31 March 2015 and the breach of covenants was waived. The deferred interest payments will carry an additional interest rate equivalent to the prevailing interest rate under the respective bonds during the period from the original respective due dates in October 2014 to March 2015. Notwithstanding the interest payment deferrals, a majority of the bondholders are entitled under the agreements to bring the relevant interest payment dates forward to the third business day following the date on which the notice is given. For more information, see Note 29 Significant events after the closing date.

Working capital facility
On 31 March 2014, PA Resources agreed with its main shareholder, Gunvor S.A., to interim financing via a working capital facility of maximum USD 50 million. Per 31 December 2014, USD 28 million had been drawn on this facility. The Group has pledged the shares of the holding company of their Tunisian assets as security for the facility which carries an interest rate of 7.5 percent per annum. On 20 October 2014 it was agreed in an amendment to the working capital facility agreement that interest payments were deferred until February 2015, similar to the Group's agreement with their bondholders of the SEK and NOK denominated bonds, with interest payable on the deferred interest payments. This deferral was extended in February 2015 until 31 March 2015 in line with the bond agreements. The facility expires and is repayable on 31 March 2015.

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 2014 amounted to USD 84.5 million (84.5). No amounts repaid under the RBL

Cont. Note 20

will again be available for borrowing. The RBL has a yearly effective rate of 7.5 percent 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. Similar to the amendments of the bond agreements and the Working Capital Facility, interest payments have been frozen since 30 September 2014 and postponed until 31 March 2015 with interest payable on the deferred amount. 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 amortization of principal due or falling due under the RBL agreement shall be subordinated (i.e. the company does not have to pay any installments) 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 maturity date has been extended from 31 December 2014 until 31 December 2015, and the entire outstanding amount has been classified as current interest-bearing loans and borrowings.

Neither the Group nor the Parent company has any overdraft facilities as per 31 December 2014 (2013).

	Group		Parent company	
SEK 000,000s	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Non-current interest-bearing loans and borrowings				
Bond 675 (810) MNOK nominal	-	706	-	706
Bond 750 (750) MSEK nominal	-	728	-	728
Total	**-**	**1,433**	**-**	**1,433**
Current interest-bearing loans and borrowings				
Bond 675 (810) MNOK nominal	684	117	684	117
Bond 750 (750) MSEK nominal	737	-	737	-
Convertible Bond	-	93	-	93
Working capital facility 28 (0) MUSD	219	-	219	-
Reserve based lending facility 84.5 (84.5) MUSD	660	550	391	325
Deferred interest payments	168	-	160	-
Total	**2,468**	**761**	**2,191**	**536**
Total interest-bearing loans and borrowings	**2,468**	**2,194**	**2,191**	**1,969**

Note 21 Provisions

SEK 000,000s	1 Jan 2014	Acquired	Disposals	Allocated	Utilized	Time Value	Paid	Exchange difference	Revaluated	Group as per 31 Dec 2014	Whereof short-term	Whereof referred to Parent company
Asset retirement obligation costs	191	295	-	-	-	9	-	40	-	535	-	-
Tax related provisions	51	-	-	-	-	-	-	10	57	118	-	-
Other provisions	10	-	-	-	–1	-	-	2	0	10	1	-
Total	**252**	**295**	**-**	**-**	**–1**	**9**	**-**	**52**	**57**	**663**	**1**	**-**

SEK 000,000s	1 Jan 2013	Acquired	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	559	-	–289	9	-	29	–172	–1	56	191	-	-
Tax related provisions	67	-	-	-	-	-	–16	0	-	51	-	-
Other provisions	8	-	-	-	-	-	-	0	2	10	2	-
Total	**634**	**-**	**–289**	**9**	**-**	**29**	**–189**	**–1**	**58**	**252**	**2**	**-**

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 fulfill 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. Main part of the outflow for asset retirement obligations is expected to occur in the first half of 2020. Acquired asset retirement obligation for 2014 in the above table origins from the terminated farm-out agreement.

PA Resources applies the Full Cost Method, which means that the counterpart to the reported provision is capitalised as an asset and amortized. Future changes in provisions based on the time value of money are recognized 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 2014, tax-related provisions amounted to SEK 118 million (51) 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. An amount of SEK 57 million for 2014 categorized as revaluation in above table refers to a reclassification from deferred tax liabilities to tax related provisions.

Note 22 Accounts payable and other liabilities

	Group		Parent company	
SEK 000,000s	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Accounts payable non-interest bearing	100	113	1	3
Liabilities Group companies	-	-	22	-
Liabilities against other related parties	8	418	-	-
Other current liabilities	112	26	0	0
Accrued vacations pay	1	2	1	2
Accrued interest expenses	48	62	48	59
Accrued operating and drilling costs	46	60	-	-
Other accrued expenses and prepaid income	262	35	7	22
Total accounts payable and other liabilities	**578**	**716**	**79**	**87**

Accounts payable and other short-term liabilities are not interest-bearing, have a short expected term and are recognized 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 short-term, see Note 23 Financial instruments. Per 31 December 2014 other non-current non-interest-bearing liabilities amounted to SEK 30 million (0) and pertain to liabilities against other related parties.

Note 23 Financial instruments

Financial assets and liabilities by valuation category – Group

2014 (SEK 000,000s)	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value	Level Fair value*
Financial assets					
Non-current assets					
Other financial assets	1	-	1	1	Level 3
Total	**1**	**-**	**1**	**1**	
Current assets					
Accounts receivable and other receivables	102	-	102	102	**
Cash and cash equivalents	148	-	148	148	**
Total	**250**	**-**	**250**	**250**	
Financial liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	-	-	-	-	Level 2
Other non-interest-bearing liabilities	-	30	30	30	**
Total	**-**	**30**	**30**	**30**	
Current liabilities					
Current interest-bearing loans and liabilities	-	2,468	2,468	1,441	Level 2
Accounts payable and other liabilities	-	202	202	202	**
Total	**-**	**2,670**	**2,670**	**1,643**	
2013 (SEK 000,000s)					
Financial assets					
Non-current assets					
Other financial assets	0	-	0	0	Level 3
Total	**0**	**-**	**0**	**0**	
Current assets					
Accounts receivable and other receivables	173	-	173	173	**
Cash and cash equivalents	403	-	403	403	**
Total	**576**	**-**	**576**	**576**	
Financial liabilities					
Non-current liabilities					
Interest-bearing loans and borrowings	-	1,433	1,433	1,407	Level 1/2
Total	**-**	**1,433**	**1,433**	**1,407**	
Current liabilities					
Current interest-bearing loans and liabilities	-	761	761	753	Level 1/2
Accounts payable and other liabilities	-	653	653	653	**
Total	**-**	**1,414**	**1,414**	**1,406**	

* 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, Measurement of fair value."

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

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.

Cont. Note 23

Financial assets and liabilities by valuation category – Parent company

2014 (SEK 000,000s)	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value	Level Fair value*
Financial assets					
Non-current assets					
Receivables Group companies	808	-	808	808	Level 3
Receivables from partners	-	-	-	-	Level 3
Total	**808**	**-**	**808**	**808**	
Current assets					
Prepaid expenses and accrued income	1	-	1	1	**
Cash and cash equivalents	88	-	88	88	**
Total	**88**	**-**	**88**	**88**	
Financial liabilities					
Current liabilities					
Liabilities Group companies	-	22	22	22	Level 3
Account payables	-	1	1	1	**
Current interest-bearing loans and liabilities	-	2,191	2,191	1,164	Level 2
Accrued expenses and prepaid income	-	48	48	48	**
Total	**-**	**2,262**	**2,262**	**1,235**	

2013 (SEK 000,000s)	Loans and receivables	Other financial liabilities	Total carrying amount	Fair value	Level Fair value*
Financial assets					
Non-current assets					
Receivables Group companies	3,066	-	3,066	3,066	Level 3
Receivables from partners	502	-	502	502	Level 3
Total	**3,568**	**-**	**3,568**	**3,568**	
Current assets					
Prepaid expenses and accrued income	1	-	1	1	**
Cash and cash equivalents	363	-	363	363	**
Total	**364**	**-**	**364**	**364**	
Financial liabilities					
Non-current liabilities					
Liabilities Group companies	-	1,882	1,882	1,882	Level 3
Non-current interest-bearing loans and liabilities	-	1,433	1,433	1,407	Level 1/2
Total	**-**	**3,315**	**3,315**	**3,289**	
Current liabilities					
Account payables	-	3	3	3	**
Current interest-bearing loans and liabilities	-	536	536	528	Level 1/2
Accrued expenses and prepaid income	-	59	59	59	**
Total	**-**	**598**	**598**	**591**	

* 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, Measurement of fair value."

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

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 2014, 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.

Cont. Note 23

Result from financial assets and liabilities by valuation category – Group

2014 (SEK 000,000s)	Loans and receivables	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)	0	–253	–253	-	–253
Changes in value (net gains/losses)	-	–15	–15	–10	–25
Exchange rate changes (net gains/losses)	17	–104	–87	-	–87
Total	**17**	**–373**	**–356**	**–10**	**–365**

2013 (SEK 000,000s)					
Net financial items					
Interest (income/expenses)	2	–256	–254	-	–254
Changes in value (net gains/losses)	-	–17	–17	–34	–51
Exchange rate changes (net gains/losses)	7	93	100	-	100
Total	**9**	**–180**	**–171**	**–34**	**–205**

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 2014, no financial instruments valued at fair value existed in PA Resources' balance sheet.

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

2014 (SEK 000,000s)	Loans and receivables	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)	100	–234	–134	-	–134
Changes in value (net gains/losses)	-	–15	–15	–11	–27
Exchange rate changes (net gains/losses)	291	33	324	-	324
Total	**391**	**–216**	**175**	**–11**	**163**

2013 (SEK 000,000s)					
Net financial items					
Interest (income/expenses)	51	–236	–184	-	–184
Changes in value (net gains/losses)	-	–17	–17	9	–8
Exchange rate changes (net gains/losses)	1	91	93	-	93
Total	**53**	**–161**	**–108**	**9**	**–99**

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 2014, no financial instruments valued at fair value existed in PA Resources' balance sheet.

Note 24 Shares in subsidiaries

The Parent company's shares in the respective segments/region are categorised below.

Subsidiary	Corporate identity number	Domicile	Legal entity	Currency	Share of equity	Book value in Parent company (SEK 000,000s)
Segment North Africa						
Hydrocarbures Tunisie Didon Ltd	C61581	Malta	Limited company	EUR	100	0
Hydrocarbures Tunisie El Bibane Ltd	54230F	Jersey	Limited company	GBP	100	2
Hydrocarbures Tunisie Corp	79423B	Bahamas	Limited company	USD	100	12
PA Resources Overseas Ltd	3313969	Great Britain	Limited company	GBP	100	209
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	0
Pa Resources Congo Sa	09B846	Republic of Congo	Limited company	CFA	100	
Osborne Resources Ltd	85416	Bahamas	Limited company	USD	100	18
Segment North Sea						
PA Resources Denmark ApS	31080037	Denmark	Limited company	DKK	100	0
PA Resources UK Ltd	5152884	Great Britain	Limited company	GBP	100	0
PA Resources North Sea Ltd	5470844	Great Britain	Limited company	GBP	100	
PA Resources E&P Services Ltd	07824915	Great Britain	Limited company	GBP	100	0
Total						**241**

Parent company acquisitions in shares in subsidiaries

SEK 000,000s	
At 1 January 2014 acquisition cost	1,374
Capital contribution	597
Impairment loss	–1,730
At 31 December 2014 acquisition cost	**241**

Note 25 Pledged assets and contingent liabilities

	Group		Parent company	
SEK 000,000s	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Shares in subsidiaries	725	469	18	18
Total pledged assets	**725**	**469**	**18**	**18**
Acquisition PA Energy Congo Ltd	-	14	-	14
Total contingent liabilities	**-**	**14**	**-**	**14**

As per 31 December 2014, pledged assets amounted to SEK 725 million for the Group and SEK 18 million for the parent company. The contingent liability amounted to SEK 14 million for both Group and the parent company associated with acquisition of PA Energy Congo Ltd has expired and is therefore removed. Total pledged assets and contingent liabilities for the Group and the parent company as per 31 December 2014 compared with 31 December 2013 is shown in the table above. Liabilities with pledged collateral see Note 20, Interest-bearing loans and borrowings.

Note 26 Result from participations in Group companies

During 2014 the Parent company wrote down intra-Group receivables amounting to SEK 1,125 million and shares in subsidiaries of SEK 1,730 million mainly due to the impairment loss from the significant fall in oil prices and the terminated farm-out agreement in Tunisia. For more information see Note 15 and 17. The Parent company received dividend from subsidiaries totaling SEK 232 million.

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 totaling 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.

The amounts concerned are specified below.

SEK 000,000s	Jan–Dec 2014	Jan–Dec 2013
Impairment losses Intercompany receivables	–1,125	–1,385
Impairment losses participations in Group companies	–1,730	–1,142
Dividend received	232	293
Total financial expenses (net)	**–2,623**	**–2,234**

Note 27 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 licenses. Refinancing risk is defined as the risk that financing or refinancing is troublesome or costly to secure. 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 2,468 million (2,194) on 31 December 2014, maturing at various times between 2015 and 2016.

In 2014, PA Resources repaid the remaining debt from the convertible bond issued in 2009 and NOK 135 million according to plan on an amortizing bond loan with an original nominal amount of NOK 900 million. In October 2014, PA Resources reached an agreement with bondholders of the existing NOK and SEK denominated bonds to postpone interest payments until February 2015. This deferral was extended again in February 2015 until 31 March 2015. For more information, see Note 20 and 29.

Going concern

The board of PA Resources adopted the going concern assumption in preparing the 2014 annual accounts. This assumption is based on an agreement regarding financing for the remainder of 2015 with the company's major creditors. This agreement will be formalised shortly. There are currently no agreements in place for financing 2016 and beyond. There are three main options for the continued operation of PA Resources; to continue operations with the current portfolio, a corporate transaction and disposal of some or all of the company's assets and subsidiaries. The board is considering all available options. It should be noted that the value of the company's assets is significantly below its current book values in a liquidation scenario.

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 2014, 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 2014 production, 1,147 (1,663) kbbl and that the average USD/SEK exchange rate for the year of 6.86 (6.51) 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 79 million (108).

Cont. Note 27

Fall due profile on PA Resources Group financial liabilities

	31 Dec 2014				31 Dec 2013			
SEK 000,000s	< 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	1,434	1,394	-	-	1,036	323	1,458	-
Accounts payable and other liabilities	100	-	-	-	113	-	-	-
Total	**1,534**	**1,394**	**-**	**-**	**1,149**	**323**	**1,458**	**-**

The table shows future undiscounted cash flows at year-end rates related to financial interest-bearing liabilities. The variable interest rate on liabilities as per 31 December 2014 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; no such interest swap agreements are currently in place. At year-end, the average interest rate fixing period was 1.0 (1.6) years. Utilising interest rate exposure at 31 December 2014 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 majority 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 2014 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 2014 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 operating costs, 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.

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 percent change in each currency against SEK would have a positive/negative effect on the Group's profit of SEK ±14 million (11), of which the exposure in USD/SEK accounts for positive/negative SEK ±7 million (20) of the total. The sensitivity analysis is based on revenue and expenses as well as on balance sheet items in the 2014 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 2014, cash and cash equivalents and financial investments amounted to SEK 148 million (403).

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 oil field, 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 recognized 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 2014, total provisions for bad debts amounted to SEK 1 million (1).

Cont. Note 27

Timing analysis accounts receivable and other current receivables

SEK 000,000s	Group			
	2014		2013	
Receivables past due but not recognized as impairment losses:	**Total exposure**	**Fair value**	**Total exposure**	**Fair value**
Not overdue	204	204	438	438
past due < 30 days	-	-	0	0
past due 30 - 60 days	0	0	0	0
past due 60 - 90 days	-	-	0	0
past due 90 - 120 days	-	-	-	-
past due > 120 days	1	1	1	1
Total	**205**	**205**	**440**	**440**

SEK 000,000s	Group	
Provisions for bad debts	**2014**	**2013**
Ingoing balance amount as per 1 January	–1	–1
Reversed provisions	0	-
Exchange differences	0	0
Total provisions as per 31 December	**–1**	**–1**

Note 28 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 24 Shares in subsidiaries.

Gunvor Group's ownership in PA Resources was 29.73 percent as per 31 December 2014. The company serves as an off-taker of crude oil and PA Resources has a reserve-based lending (RBL) facility as well as a Working capital facility with the company, see note 20. The trading of crude oil and the terms of the RBL facility and the Working capital facility is in accordance with market conditions. PA Resources is also paying for Gunvor's advisers in the ongoing refinancing discussion, as well as paying for the advisers appointed by the bondholders.

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. For further information, see refinancing section at page 8.

Note 29 Significant events after the closing date

Further deferral of interest payments
At a bondholder's meeting with regard to the NOK denominated bond and a written procedure under the SEK bond which took place and was completed on 25 February, the bondholders agreed to PA Resources' proposal to further defer the interest payments to 31 March 2015 from their originally scheduled payment dates in October 2014 and to receive temporary waivers of compliance with the financial covenants for its SEK and NOK denominated bond loans.

EGM supported the Board's proposal not to put the company into liquidation
At an extraordinary general meeting of shareholders which took place on 27 February 2015, the shareholders resolved, as recommended by the board, that the company shall not be resolved, but carry on its business. The extraordinary meeting was held after the board of directors had prepared a balance sheet for liquidation purposes which showed that the company's shareholder's equity was less than one-half of the registered share capital.

New UK license – Block 21/24b
PA Resources was awarded Block 21/24b in UK's 28th Licensing Round. The licence group comprises of PA Resources (33.33 percent), First Oil and Gas (33.33 percent, operator) and Dyas UK (33.33 percent). Block 21/24b contains the undeveloped West Teal oil discovery and similar prospectivity, on which the group has bid a contingent well in the initial four year license term.

Lille John 2 appraisal well
The Lille John 2 appraisal well was drilled over year-end 2014. The Miocene sandstone reservoir originally found oil-bearing in the PA Resources-operated 2011 discovery well Lille John 1 was again encountered in Lille John 2, fully oil-bearing as expected. The thickness and quality of sandstone reservoir encountered in Lille John 2 were found as expected to be improved relative to Lille John 1. A drill stem test flowed at rates upto 1,400 barrels of oil per day of 34-35° API oil with no hydrogen sulfide. Subsequently the well was sidetracked down-dip confirming similar reservoir development and establishing an oil column height in excess of c. 300m (c. 950 ft). PA Resources was fully carried by Dana Petroleum on the costs of this well.

Corporate reorganization
On 24 March the company asked its bondholders to at bondholders meetings 31 March extend the interest deferral period to 30 April as more time was needed to progress the discussions between the key stakeholders. As a result of perceived lack of progress in the negotiations with its creditors the Board of Directors decided to apply for company reorganization on 26 March. The application was approved by Stockholm District Court on 27 March. The purpose of the company reorganization is to enable PA Resources to achieve an effective restructuring solution for its stakeholders. The company reorganization process will only include PA Resources AB and not its subsidiaries.

A creditors meeting at the Stockholm District Court was held 15 April where a preliminary plan for reorganization was presented by the administrator. The plan is based on reaching agreement with the company's creditors to provide the company with short-term financing which will support the operations of its subsidiaries in order to maintain the value of the company's asset portfolio, while the board of directors is reviewing its strategic options. The Stockholm District Court approved a continued reorganization of PA Resources AB until 29 June 2015.

No participation in a new financing solution and enforcement of RBL security by Gunvor Group
Gunvor Group informed the company on 7 April that it will not participate with new funding, in the form of equity or new loans, in the ongoing refinancing process. In addition Gunvor Group also requested repayment of the amounts outstanding under the RBL facility including accrued interest.

PA Resources received notice on 8 April that Gunvor had taken action to enforce its security under the RBL, being a pledge over the company's shares in its wholly-owned subsidiary, Osborne Resources Limited ("Osborne"). Osborne owns interests in Equatorial Guinea, namely the producing Aseng and Alen fields, and the Block I exploration interest. The effect of this enforcement action is that Osborne is no longer a subsidiary of the company and has become a subsidiary of Gunvor Group.

Petition for bankruptcy in PA Resources
On 12 April Gunvor Group informed the company that it had filed an application for bankruptcy of PA Resources AB. The company was officially notified by Stockholm District Court 13 April. Due to the ongoing corporate reorganization, the application was not expected to have any immediate impact on the company. On 14 April Gunvor Group informed the company that it intended to withdraw its petition for bankruptcy in PA Resources AB. In light of this and together with the bondholders support to the reorganization process the board of directors decided to continue with the corporate reorganization. On 15 April Gunvor Group recalled its petition for bankruptcy in PA Resources AB and as a result the petition was dismissed by the Stockholm District Court.

PA Resources postpones publishing Annual Report, Q1 report and AGM
Pending the completion of a short-term financing agreement, PA Resources AB's board of directors postponed the release of the annual report for 2014 (scheduled for 30 April), Q1 report (scheduled for 29 May) and its annual general meeting (scheduled for 29 May) to 24 June, 26 June and 28 July respectively.

New Chairman of the Board in PA Resources
Jerome Schurink decided to step down as director and chairman of the board in PA Resources AB as a result of taking up a new position based in Dubai. In the interim, until the upcoming annual general meeting, the board of directors appointed Philippe Probst as the acting chairman.

PA Resources secures funding for 2015
PA Resources has reached an agreement with its major creditors to provide the company with funding until the end of 2015 in the form of a USD 7.5 million short-term credit facility. An initial USD 2.5 million tranche has been made available to the company to draw on while the documentation is being finalised. The credit will have priority over the company's existing debt

The new credit will allow PA Resources to continue funding its operations during the strategic review process initiated by the board of directors. The aim of the process is to explore the company's different options with regards to maximising the value for all of the company's various stakeholders. The options being explored are long-term funding for all or part of the business, a corporate transaction or the divestment of individual assets or business units.

Proposed distribution of earnings

The Board of Directors proposes that the Statutory reserve of SEK 115,400,719 is used to cover the accumulated loss of SEK 2,658,484,351 and that the remaining accumulated loss of SEK 2,543,083,632 be carried forward. The Board of Directors and CEO 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.

The following amounts are at the disposal of the Annual General meeting (SEK)	
Retained earnings	-
Share premium reserve	-
Net result for the year	–2,658,484,351
Total	**–2,658,484,351**

Stockholm 23 June 2015

Philippe R. Probst
Chairman of the Board

Mark McAllister
President & CEO

Paul Waern
Board member

Philippe R. Ziegler
Board member

Nils Björkman
Board member

Our audit opinion, which was issued on June 23, 2015, is modified. We have neither recommended nor not recommended that the income statement and balance sheet for the parent company and the group are adopted.

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 were engaged to audit the annual accounts and consolidated accounts of PA Resources AB for the financial year 2014 except for the corporate governance statement on pages 28-33. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 21–75.

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 the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

As described in the statutory administration report, the company and the group have, during 2014, had difficulties to finance continuing operations which led the Board of Directors to apply for a company reorganization which was approved by the Stockholm District Court on March 27, 2015.

As a result of the substantial decline of oil prices, the annual impairment test demonstrated that the company's and the group's assets were impaired and consequently written down. The Board of Directors prepared a Balance Sheet for Liquidation Purposes in accordance with the Companies Act, Chapter 25, Section 13, which concluded that the share capital was consumed to more than half. Our auditors' statement was issued on January 27, 2015. At the General Meeting on February 27, 2015 the shareholders decided to approve the Board of Directors' proposal to continue operations. The share capital must be restored in full within eight months.

The annual accounts and the consolidated accounts are prepared in accordance with going concern assumption. The justification for the assessment made by management is described in the statutory administration report and disclosure 27.

The Board of Directors describes, in their strategic review, three main options for the continued operations of PA Resources; i) to continue current operations without the company's former EG assets, ii) to continue operations with a reduced scope or, iii) to divest most or all of the company's assets.

The license extension of Zarat, described in the statutory administration report, is pending the Tunisian government's approval.

The company's and the group's ability to continue as a going concern is dependent on that a long term financing solution can be found which supplies the company and the group with necessary capital and the Tunisian government's approval of the license extension and other elements.

Negotiations with potential investors are underway; however, no binding agreements have been signed. The result of those, the board's strategic decision and the outcome of the not yet approved license extension of Zarat may have a significant negative impact on the value of the company's and the group's assets.

As a result of the circumstances described above, there exist significant uncertainties as to the company's and the group's ability to continue as a going concern and thereby realize assets and pay debts within the scope of normal operations. We have, in our audit, not been able to obtain sufficient and appropriate audit evidence to either confirm or dismiss these uncertainties.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

We therefore neither recommend nor not 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 that we were engaged to audit the annual accounts and consolidated accounts, we were also engaged to audit the proposed appropriations of the company's profit or loss and have audited the administration of the Board of Directors and the Managing Director of PA Resources AB for the financial year 2014. 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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement 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. The proposal is in accordance with the Companies Act, but because of the matters described in the Basis for Disclaimer of Opinion paragraph in our Report on the annual accounts and consolidated accounts, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Disclaimer of Opinion and Opinion

Because of the matters described in the Basis for Disclaimer of Opinion paragraph in our Report on the annual accounts and consolidated accounts we neither recommend nor not recommend to the annual meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report.

We recommend 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.

Criticism

The Annual Report was not issued timely for the Board of Directors to hold the Annual General Meeting within six months from the balance sheet date in accordance with Chapter 7, Section 10 of the Companies Act. The company has not incurred any significant damages and as a consequence our opinion is not qualified in respect of this matter.

Stockholm, 23 June 2015
Ernst & Young AB

Björn Ohlsson
Authorized Public Accountant

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 47-53.

Significant revenue and expenses

Revenue

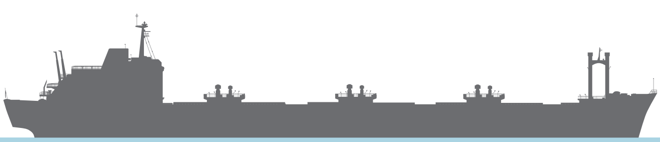
PA Resources' recognized revenue is based on its net entitlement volume of oil and gas produced, i.e. net after royalty and tax oil taken in kind. The following components are included in PA Resources' recognized revenue:

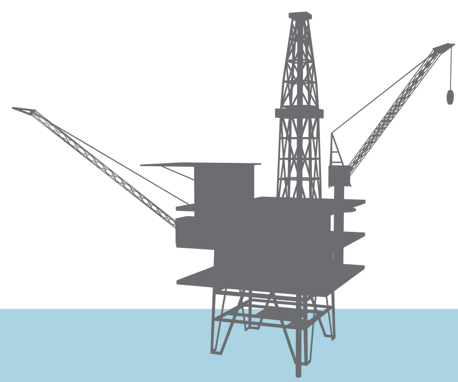
- Revenue from sales of oil managed by contracts that are priced by market prices less discount or plus premium. Sale of oil is recognized upon delivery of products and customer acceptance.
- Revenue (or reversed revenue) from an underlift position (overlift position) of hydrocarbons are reported as if it has been sold at the balance sheet date. Valuation is performed either with Brent spot price at respective balance sheet date taking eventual discount or premium into consideration or with prevailing contract price.

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 government





Expenses

Production costs

PA Resources productions costs comprises of cost of operations (OPEX) and direct production taxes.

One of the largest cost items for the Group is cost of operations which 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.

The other cost item included in production costs is direct production taxes. PA Resources pays royalty either in kind through the supply of oil or by paying cash. Royalty in kind is reported net in the income statement and royalty paid in cash is reported as a direct production tax.

Depletion of oil and gas properties

Depletion relates to oil and gas properties and commences at start of production. Depletion is calculated using the unit of production method (UOP), meaning that calculation is made with the year´s production in relation to the estimated total proven and probable reserves of oil and gas (2P).

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. However it does 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.

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. Depletion 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 depletion 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 and various types of credit facilities. 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 20 Interest-bearing loans and borrowings on page 63.

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 license pertaining to restoration are measured repeatedly and provision is made for these future costs. For more information, see Note 2.4 Critical accounting principles on page 52 and Note 21 Provisions on page 65.

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 recognized which applies to oil produced that, in addition to any royalty, is to be delivered to the state. Tax oil is, as well as royalty in kind, reported net in the income statement and thus not included in income tax.

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 (SEK), 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 on the date of translation. Read more in Note 27 Financial risks.

Glossary

Anomaly: A localized change in seismic attributes 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. 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.

Block: A country's exploration and production area is divided into different blocks that may be separately licensed to different companies.

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. which are a vapour in the reservoir but 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.

Crude oil: The oil produced from a reservoir, after associated gas is removed in separation.

Cubic foot/meters: Unit of volume for gas.

Discovery: One or several 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.

Exploration well: A common term for wells drilled when exploring for oil and gas, to gather facts about the presence of oil or gas, the reservoir quality and so forth.

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 well or a seismic survey within a certain period. In return, the company brought in receives interest in any future revenues.

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 utilise the gas.

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

FSO: Floating Storage and Offloading vessel used in an oil field.

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.

Lead: A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect. Project activities are focused on aquiring additional data and/or undertaking further evaluation designed to confirm whether or not the lead can be matured into a prospect. Such evaluation includes the assessment of the chance of discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.

License: 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 and the nature of the contract. A licence usually consists of two parts: an exploration permit and a production or exploitation 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.

mmbo: Million barrels of oil.

mmboe: Million barrels of oil equivalents.

mmcf/d: Million cubic foot per day.

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.

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.

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.

Prospect: A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target. Project activities are focused on assessing the chance of discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.

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).

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 from migrating 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.

Additional definitions can be found at http://glossary.oilfield.slb.com/

Information for shareholders

Annual General Meeting 2015

The Annual General Meeting (AGM) of PA Resources AB (publ) will be held on Tuesday, 28 July, 2015 at 10:00 a.m. (CET) in Stockholm at Scandic Klara, Stockholm Norra, at Slöjdgatan 7. Registration for the AGM will commence at 9:30 a. m.

Attendance

Shareholders who wish to attend the AGM must:

- be listed in the register of shareholders maintained by Euroclear Sweden AB on Wednesday, 22 July 2015, at the latest, and must
- notify the Company of their intention to attend the AGM no later than 4:00 p.m. (CET) on Wednesday, 22 July 2015.

Notification

Registrations can be submitted:

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

When submitting 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 and 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 on 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.

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

Financial information 2015–2016	
Interim report Quarter 1 (January–March)	26 June 2015
Interim report Quarter 2 (January–June)	17 July 2015
Annual General Meeting 2015	28 July 2015
Interim report Quarter 3 (January–September)	28 October 2015
Year-end report (Quarter 4)	3 February 2016

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.

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Production: PA Resources in co-operation with Oxenstierna & Partners AB. **Photo:** PA Resources, Dana and Paul Tait.

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