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# ***Petrogas Denmark ApS***

Harbour House, Sundkrogsgade 21, DK-2100  
København Ø

## **Annual Report for 1 January - 31 December 2018**

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CVR No 31 08 00 37

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
30/4 2019

Kingsuk Sen  
Chairman of the General  
Meeting

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## **Management's Statement**

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Petrogas Denmark ApS for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 30 April 2019

### **Executive Board**

Dirk Jan van Orden

### **Board of Directors**

Usama Al Barwani  
Chairman

Nick Dancer

Kingsuk Sen

# **Independent Auditor's Report**

To the Shareholder of Petrogas Denmark ApS

## **Report on the Financial Statements**

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Petrogas Denmark ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Statement on Management's Review**

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

# Independent Auditor's Report

## **Management's responsibilities for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

## Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports**

#### **Non-compliance with the Danish Bookkeeping Act**

In our opinion, the Company has not complied with the requirements of the Danish Bookkeeping Act in respect of keeping the accounting records abroad.

Hellerup, 30 April 2019

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Ole Tjørnelund Thomsen  
statsautoriseret revisor  
mne10637

Søren Alexander  
statsautoriseret revisor  
mne42824

## Company Information

### **The Company**

Petrogas Denmark ApS  
Harbour House  
Sundkrogsgade 21  
DK-2100 København Ø

CVR No: 31 08 00 37  
Financial period: 1 January - 31 December  
Municipality of reg. office: Copenhagen

### **Board of Directors**

Usama Al Barwani, Chairman  
Nick Dancer  
Kingsuk Sen

### **Executive Board**

Dirk Jan van Orden

### **Auditors**

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
Strandvejen 44  
DK-2900 Hellerup

# Management's Review

## Key activities

Petrogas Denmark ApS ("The Company") is a wholly owned subsidiary of Petrogas International E & P Coöperatief UA ("Petrogas"). Its primary activity is the exploration and exploitation of oil & gas resources in the Danish sector of the North Sea.

The company participates in License 12/06 with an interest of 5%, which includes the two hydrocarbon discoveries; Broder Tuck and Lille John.

## Development in the year

The income statement of the Company for 2018 shows a loss of DKK 458,657, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 9,747,529.

In January 2016, Dana submitted a declaration of commerciality to the Danish Energy Authority. This commences the early stage pathway to field development. On the 20th May 2016, the Danish Energy Authority awarded an extension to the Danish Licence 12/06 for the purpose of production.

During 2018, an extension was agreed by the operator, Dana, and its partners with the authorities for the submission and completion of the field development plan for the license until 3 August 2021. This extension will allow to procure 3d seismic, drill an appraisal well in Broder Tuck and make a decision for an appraisal well in Lille John in 2019. The 2019 activities and anticipated 2020 activities will lead to the final submission and completion of the development plan which will be submitted towards the authorities during 2021.

This year proved to be a year in which the oil & gas sector could more focus on its long-term strategy, with recovering oil and gas prices, decisions being made in Denmark for the redevelopment of important Danish offshore infrastructure and certain enhancements to the legal environment to improve the access to oil and gas infrastructure.

During 2019, Petrogas together with the operator and its other partners will pursue an ambitious work program to deliver the required milestones, the 3D seismic over Lille John is currently progressing and will lead to a reduction in the volumetric uncertainty once the results will become available. The preparations for an appraisal well in Broder Tuck and for the evaluation for an appraisal well in Lille John are ongoing, although behind the original anticipated plan for the year. The partnership will discuss opportunities for improvement, while the operator is also in communication on the progress with the authorities to keep them apprised.



# **Management's Review**

## **Capital resources**

Historically, the Company has been wholly dependent upon its parent Petrogas for support to meet its expenses and license obligations.

To fulfill the conditions of being a licensee in the Danish offshore sector, the Company's current parent satisfactorily executed a parent company guarantee with the Danish Energy Authority (DEA).

In assessing the capital requirements of the company, the 2019 - 2020 budget forecasts submitted by the license Operator together with the recent progress updates were considered and it was determined that the carry arrangement which exists between Dana and Petrogas will cover Petrogas' expenditure for 2019.

Minor own-cost administrative expenses and excess expenditure not covered by the carry arrangement would be borne by the company with the support of its parent.

Considering these facts, the directors have prepared these accounts on a going concern basis

## **Special risks - operating risks and financial risks**

### ***Business-related risks***

Developing licenses with the objective of producing gas and oil is subject to considerable uncertainties. Main uncertainties include finding economically robust technical solutions, the field's capacity associated to reservoir and geological conditions, and the development of oil and gas prices and foreign exchange rates.

## Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Administrative expenses		-432.295	-485.121
<b>Operating profit/loss</b>		<b>-432.295</b>	<b>-485.121</b>
<b>Profit/(loss) before financial income and expenses</b>		<b>-432.295</b>	<b>-485.121</b>
Financial income	3	0	28.096
Financial expenses	4	-26.362	0
<b>Profit/(loss) before tax</b>		<b>-458.657</b>	<b>-457.025</b>
Tax on profit/loss for the year		0	0
<b>Net profit/loss for the year</b>		<b>-458.657</b>	<b>-457.025</b>

## Distribution of profit

	2018 DKK	2017 DKK
<b>Proposed distribution of profit</b>		
Retained earnings	-458.657	-457.025
	<b>-458.657</b>	<b>-457.025</b>

## Balance Sheet 31 December

	Note	2018 DKK	2017 DKK
<b>Assets</b>			
Oil and gas assets		11.536.086	11.406.833
<b>Intangible assets</b>	5	<b>11.536.086</b>	<b>11.406.833</b>
<b>Fixed assets</b>		<b>11.536.086</b>	<b>11.406.833</b>
Cash at bank and in hand		62.995	80.080
<b>Currents assets</b>		<b>62.995</b>	<b>80.080</b>
<b>Assets</b>		<b>11.599.081</b>	<b>11.486.913</b>
<b>Liabilities and equity</b>			
Share capital		500.000	500.000
Retained earnings		9.247.529	9.706.186
<b>Equity</b>		<b>9.747.529</b>	<b>10.206.186</b>
Payables to group enterprises		135.993	0
<b>Long-term debt</b>		<b>135.993</b>	<b>0</b>
Trade payables		124.621	80.000
Payables to group enterprises		1.590.938	1.200.727
<b>Short-term debt</b>		<b>1.715.559</b>	<b>1.280.727</b>
<b>Debt</b>		<b>1.851.552</b>	<b>1.280.727</b>
<b>Liabilities and equity</b>		<b>11.599.081</b>	<b>11.486.913</b>
Going concern	1		
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## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	500.000	9.706.186	10.206.186
Net profit/loss for the year	0	-458.657	-458.657
<b>Equity at 31 December</b>	<b>500.000</b>	<b>9.247.529</b>	<b>9.747.529</b>

The share capital consists of 500 shares of a nominal value of DKK 1,000. No shares carry any special rights

# Notes to the Financial Statements

## 1 Going concern

The equity of Petrogas Denmark ApS amounts to DKK 9,747,529 as at 31 December 2018. The company has a working capital deficiency at the balance sheet date of DKK 1,652,564, predominantly relating to the intercompany group payables. Therefore the going concern of the company depends to a significant extent on the support of the Petrogas group.

The Company continues to benefit from the continuing carry arrangement provided by the asset operator Dana under the 2014 Sale and Purchase agreement, and considering the anticipated 2019 and forecast 2020 budgeted license expenditure, the recent updates to the timing of the 2019 work program, this carry is anticipated to cover Petrogas' expenditure for 2019. The expenditure not covered by the carry arrangement would be borne by the company with the support of its parent.

As a result of the stage the 12/06 project is in historically, the Company is financed in full by the parent company. The parent company has undertaken to provide financial support until 30 June 2020. Furthermore, Petrogas E&P LLC, Oman has issued a parent company guarantee to the DEA.

Based on the limited anticipated near-term expenditures and commitments to be borne by the Company, and the undertaking of support provided by the parent company, the financial statements have been prepared on a going concern basis.

## 2 Uncertainties regarding recognition and measurement

The significant asset within The Company is the 5% working interest in licence 12/06. The terms of the 12/06 licence allow for an extension of 30 years (from 22nd May 2016) for the purpose of development and production. During the year the field development plan submission deadline was extended to 3 August 2021. The principal conditions of the extension of this deadline are:

- i) That a decision is made on carrying out a seismic campaign by 1st February 2019.
- ii) That a decision is made on drilling a well in Lille John by 1st April 2019.
- iii) That a well is drilled in Broder Tuck by the end of 2019.

As per the publication date of this annual report, the 1st condition has been met, where the 2nd, 3rd condition and timing thereof are currently being discussed with the operator, partnership and the authorities.

It is the current expectation of the company that the operator and partnership will agree on an amended timeline and path towards FDP with the Danish Energy Authority to bring the project forward, based on its past experience in the Danish sector of the North Sea.

The carrying value of the Oil and gas assets is to a large extent dependent on an amended timeline being agreed upon with the Danish Energy Authority (DEA). In the eventuality that there is no opportunity to agree the amended timeline with the DEA this may lead to an impairment of the carrying value.

## Notes to the Financial Statements

	2018 DKK	2017 DKK
<b>3 Financial income</b>		
Exchange gains	0	28.096
	<b>0</b>	<b>28.096</b>
<b>4 Financial expenses</b>		
Interest paid to group enterprises	7.633	0
Exchange loss	18.729	0
	<b>26.362</b>	<b>0</b>
<b>5 Intangible assets</b>		
		Oil and gas assets DKK
Cost at 1 January		20.257.174
Additions for the year		129.253
Cost at 31 December		20.386.427
Impairment losses and amortisation at 1 January		8.850.341
Impairment losses and amortisation at 31 December		8.850.341
<b>Carrying amount at 31 December</b>		<b>11.536.086</b>

# Notes to the Financial Statements

## 6 Contingent assets, liabilities and other financial obligations

### Contingent assets

The Company has a tax loss carry-forward, which has not been recognised.

### Contingent liabilities

Petrogas Denmark ApS is jointly and severally liable with Dana Petroleum Denmark B.V., Petrogas E&P UK Ltd., Spyker Energy ApS, Danoil Exploration A/S and Nordsøfonden for the consortium's activities in the North Sea in relation to Licence 12/06.

The Company is jointly and severally liable for tax on the jointly taxed income with the Danish branch of Petrogas E&P UK Ltd. Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, royalty tax and tax on unearned income. Any subsequent adjustments to corporation taxes and withholding taxes may increase the Company's liability.

# Notes to the Financial Statements

## 7 Related parties

### Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Petrogas International E&P Coöperatief UA  
Laan van Zuid Hoorn 14  
2289 DE Rijswijk  
The Netherlands

### Consolidated Financial Statements

The company forms part of the consolidated accounts in the 2018 Annual Report of the Parent Company Petrogas E&P LLC of Muscat, Oman.

The Group Annual Report of Petrogas E&P LLC of which Petrogas Denmark ApS for 2018 forms part may be obtained at the following address:

Petrogas E&P LLC  
PO Box 353  
112 Ruwi  
Sultanate of Oman



# Notes to the Financial Statements

## 8 Accounting Policies

The Annual Report of Petrogas Denmark ApS for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

### Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

### Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# Notes to the Financial Statements

## 8 Accounting Policies (continued)

### Income Statement

#### Cost of sales

Cost of sales encompass amortisation and impairment losses relating to the oil and gas assets.

#### Administrative expenses

Administrative expenses are recognised in the income statement at the amounts relating to the financial year.

#### Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

#### Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

### Balance Sheet

#### Intangible assets

The company follows the full-cost method of accounting for oil and gas assets under which all exploration expenditure is capitalised in a depreciable cost pool. Currently, the company has a single pool for its Danish assets.

Oil and gas assets are measured at cost less accumulated amortisation. Where the cost less amortisation exceeds the net realisable value, write-down is made to this lower value.

#### Impairment of fixed assets

The carrying amounts of intangible assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

# Notes to the Financial Statements

## **8 Accounting Policies** (continued)

### **Deferred tax assets and liabilities**

Deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits will be available against which timing differences can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

### **Financial debts**

Debts are measured at amortised cost, substantially corresponding to nominal value.