
Petrogas Denmark ApS (formerly PA Resources Denmark ApS)

C/O PricewaterhouseCoopers, Strandvejen 44, DK-
2900 Hellerup

Annual Report for 1 January - 31 December 2015

CVR No 31 08 00 37

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
25/5 2016

Usama Al Barwani
Chairman

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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 2015.

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 2015 of the Company and of the results of the Company operations for 2015.

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.

Voorburg, 25 May 2016

Executive Board

Dirk Jan van Orden

Board of Directors

Usama Al Barwani
Chairman

Nick Dancer

Kingsuk Sen

Independent Auditor's Report on the Financial Statements

To the Shareholder of Petrogas Denmark ApS

Report on the Financial Statements

We have audited the Financial Statements of Petrogas Denmark ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Report on Other Legal and Regulatory Requirements

Other Matter

Contrary to section 12 of the Danish Bookkeeping Act, the Company has kept its accounting records

Independent Auditor's Report on the Financial Statements

abroad; consequently, Management may incur liability.

Statement on Management's Review

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 25 May 2016

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ole Tjørnelund Thomsen

statsautoriseret revisor

Company Information

The Company

Petrogas Denmark ApS
C/O PricewaterhouseCoopers
Strandvejen 44
DK-2900 Hellerup

CVR No: 31 08 00 37

Financial period: 1 January - 31 December

Municipality of reg. office: Gentofte

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

Main activity

Petrogas Denmark ApS ("The Company") is a wholly owned subsidiary of Petrogas International E & P Coöperatief UA ("Petrogas") since the completion of the acquisition in March 2016. 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/O6 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 2015 shows a loss of DKK 15,386,536, and at 31 December 2015 the balance sheet of the Company shows negative equity of DKK 18,742,167.

During the year, the Operator, Dana Petroleum, successfully completed the drilling of the Lille John-2 well and side track. The results were incorporated into the subsurface model and the Operator continued, in parallel, to progress development and offtake scenarios. Joint venture costs incurred by Dana were entirely carried by them under pre-existing agreements. In January 2016, Dana submitted a declaration of commerciality to the Danish Energy Authority. This commences the early stage pathway to field development.

2015 proved to be a challenging year for the oil & gas sector, with constrained liquidity arising from sharply reduced oil prices. A sector-wide consequence of the oil price reduction was a need to review the balance sheet valuation of assets and introduce impairments where necessary and appropriate. In keeping with a prudent management and accounting approach, the directors reviewed the asset values towards the end of 2015 and impaired these values to a more appropriate level. Also during 2015, PA Resources AB ("PAR AB") entered into a formal corporate reconstruction which required, under Swedish law, it to recapitalise. To achieve this and meet the requirements of its creditors, in 2016 it entered into an agreement with Petrogas for the sale of the entire share capital of the PA Resources Denmark ApS. This transaction completed in March 2016.

Management's Review

Capital resources

Historically, the Company has been wholly dependent upon its former parent PAR AB for support to meet its expenses and license obligations. Its parent has executed an unconditional guarantee in this regard and this support has materialised by way of loans. In February 2016, as previously mentioned, the Parent Company entered into a sale of purchase agreement of the entire issued share capital of the Company with Petrogas. Prior to the execution of this agreement, on 1 February 2016, the outstanding loan balance in favor of PAR AB was converted into equity.

Prior to completion of the transaction, the Company's new parent satisfactorily executed a parent company guarantee with the Danish Energy Authority (DEA). This is a condition to be a licensee in the Danish offshore sector. In assessing the capital requirements of the company, the 2016 - 2019 budget forecasts submitted by the license Operator were considered and it was determined that the carry arrangements existing under existing agreements will remain in place and conclude well into 2018. Minor own-cost administrative expenses 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	2015 DKK	2014 DKK
Cost of sales		-8.850.340	-392.875
Gross profit/loss		-8.850.340	-392.875
Administrative expenses		-802.515	-208.335
Operating profit/loss		-9.652.855	-601.210
Profit/loss before financial income and expenses		-9.652.855	-601.210
Financial expenses	4	-5.733.681	-3.154.566
Resultat før skat		-15.386.536	-3.755.776
Tax on profit/loss for the year		0	0
Net profit/loss for the year		-15.386.536	-3.755.776

Distribution of profit

	2015 DKK	2014 DKK
Proposed distribution of profit		
Retained earnings	-15.386.536	-3.755.776
	-15.386.536	-3.755.776

Balance Sheet 31 December

	Note	2015 DKK	2014 DKK
Assets			
Oil and gas assets		11.406.833	19.687.593
Intangible assets	5	11.406.833	19.687.593
Fixed assets		11.406.833	19.687.593
Assets		11.406.833	19.687.593
Liabilities and equity			
Share capital		250.000	250.000
Retained earnings		-18.992.167	-3.605.630
Equity	6	-18.742.167	-3.355.630
Trade payables		204.000	392.173
Payables to group enterprises	3	29.945.000	22.651.050
Short-term debt		30.149.000	23.043.223
Debt		30.149.000	23.043.223
Liabilities and equity		11.406.833	19.687.593
Going concern	1		
Uncertainties regarding recognition and measurement	2		
Contingent assets, liabilities and other financial obligations	7		
Related parties and ownership	8		

Notes to the Financial Statements

1 Going concern

The equity of Petrogas Denmark ApS amounts to DKK 18,904k negative as at 31 December 2015. On 1 February 2016 payables to group enterprise amounting to approximately DKK 30 million was converted into equity.

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 2016 and forecast 2017 budgeted license expenditure, this carry is anticipated to well into 2018.

Following the acquisition in March 2016 of the entire share capital of PA Resources Denmark ApS (The Company) by Petrogas International E&P Coöperatief UA, the Company is financed in full by the parent company. The parent company has undertaken to provide financial support until at least 31 December 2016. Furthermore Petrogas E&P LLC, Oman has issued a parent company guarantee to the DEA.

Based on the limited 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 May 2016) for the purpose of development and production. The principal conditions of such an extension are:

- i) That a formal extension request is submitted no later than 4 months prior to expiry of licence
- ii) That the previous licence conditions have been satisfied
- iii) That the extension request contains a declaration that hydrocarbon extraction is both technically feasible and economically profitable.

In January 2016, the licence operator, Dana Petroleum, submitted such an extension request. Until such time as the Danish Energy Authority formally grants a 30 year extension, uncertainty must exist. However, to the extent all of the above conditions have been satisfied, the Company believe that such an uncertainty is minimal and it believes that in May 2016, the DEA will grant an extension, taking the licence into the development and ultimately the production phase.

3 Payables to group enterprises

On 1 February 2016, payables to group enterprises amounting to USD 4,389,000 were converted to DKK 250,000 worth of shares in the Company at a share premium of 12,037.10.

Notes to the Financial Statements

	2015 DKK	2014 DKK
4 Financial expenses		
Interest paid to group enterprises	3.096.541	39.978
Exchange loss	2.637.140	3.114.588
	5.733.681	3.154.566
5 Intangible assets		
		Oil and gas assets DKK
Cost at 1 January		19.687.593
Additions for the year		569.580
Cost at 31 December		20.257.173
Impairment losses and amortisation at 1 January		0
Impairment losses for the year		8.850.340
Impairment and amortisation of relinquished assets for the year		0
Impairment losses and amortisation at 31 December		8.850.340
Carrying amount at 31 December		11.406.833

Notes to the Financial Statements

6 Equity

	Share capital	Retained earnings	Total
	DKK	DKK	DKK
Equity at 1 January	250.000	-3.605.631	-3.355.631
Net profit/loss for the year	0	-15.386.536	-15.386.536
Equity at 31 December	250.000	-18.992.167	-18.742.167

The share capital consists of 250 shares of a nominal value of DKK 1,000. No shares carry any special rights.

The share capital has developed as follows:

	2015	2014	2013	2012	2011
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	250.000	125.000	125.000	125.000	125.000
Capital increase	0	125.000	0	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	250.000	250.000	125.000	125.000	125.000

Notes to the Financial Statements

7 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

8 Related parties and ownership

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
Appelgaarde 4
2272 TK Voorburg
The Netherlands

Consolidated Financial Statements

The Company forms part of the consolidated accounts in the 2015 Annual Report of the former Parent Company PA Resources AB.

The Group Annual Report of PA Resources AB of which Petrogas Denmark ApS for 2015 forms part may be obtained at the following address:

PA Resources AB
Kungsgatan 44
11135 Stockholm
Sweden

Accounting Policies

Basis of Preparation

The Annual Report of Petrogas Denmark ApS for 2015 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.

Financial Statements for 2015 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. Gains and losses 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 transaction date rates are recognised in financial income and expenses in the income statement.

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

Income Statement

Cost of sales

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

Accounting Policies

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.

Financial debts

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