
Petrogas Denmark ApS

Bredgade 6, 1., DK-1260 København K

Annual Report for 1 January - 31 December 2016

CVR No 31 08 00 37

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/05 2017

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 2016.

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 2016 of the Company and of the results of the Company operations for 2016.

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, 22 May 2017

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 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016 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 2016, which comprise income statement, balance sheet 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.

Independent Auditor's Report

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.

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 accounting legislation

Contrary to section 12 of the Danish Bookkeeping Act, the Company has kept its accounting records abroad; consequently, Management may incur liability.

Hellerup, 22 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ole Tjørnelund Thomsen

statsautoriseret revisor

Company Information

The Company

Petrogas Denmark ApS
Bredgade 6, 1.
DK-1260 København K

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

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 12/06 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 2016 shows a loss of DKK 687,362, and at 31 December 2016 the balance sheet of the Company shows equity of DKK 10,663,211.

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. This requires Dana to submit a field development plan by the 2nd January 2018.

The year 2016 proved to be a challenging for the oil & gas sector, with constrained liquidity arising from sharply reduced oil prices. During 2015, the former shareholder 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.

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 former 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 current 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 2017 - 2019 budget forecasts submitted by the license Operator were considered and it was determined that the carry arrangement which exists between Dana and Petrogas will cover Petrogas' expenditure for 2017 and most of 2018 as well.

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.

Management's Review

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	2016 DKK	2015 DKK
Cost of sales		0	-8.850.340
Gross profit/(loss)		0	-8.850.340
Administrative expenses		-535.456	-802.515
Operating profit/(loss)		-535.456	-9.652.855
Profit/(loss) before financial income and expenses		-535.456	-9.652.855
Financial expenses	3	-151.906	-5.733.681
Profit/(loss) before tax		-687.362	-15.386.536
Tax on profit/(loss) for the year		0	0
Net profit/(loss) for the year		-687.362	-15.386.536

Distribution of profit

	2016 DKK	2015 DKK
Proposed distribution of profit		
Retained earnings	-687.362	-15.386.536
	-687.362	-15.386.536

Balance Sheet 31 December

	Note	2016 DKK	2015 DKK
Assets			
Oil and gas assets		11.406.833	11.406.833
Intangible assets	4	11.406.833	11.406.833
Fixed assets		11.406.833	11.406.833
Cash at bank and in hand		42.800	0
Currents assets		42.800	0
Assets		11.449.633	11.406.833
Liabilities and equity			
Share capital		500.000	250.000
Retained earnings		10.163.211	-18.992.167
Equity	5	10.663.211	-18.742.167
Trade payables		80.000	204.000
Payables to group enterprises		706.422	29.945.000
Short-term debt		786.422	30.149.000
Debt		786.422	30.149.000
Liabilities and equity		11.449.633	11.406.833
Going concern	1		
Uncertainties regarding recognition and measurement	2		
Contingent assets, liabilities and other financial obligations	6		
Related parties	7		

Notes to the Financial Statements

1 Going concern

The equity of Petrogas Denmark ApS amounts to DKK 10,663,211 as at 31 December 2016. The company has a working capital deficiency at the balance sheet date of DKK 743,622, predominantly relating to the intercompany 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 2017 and forecast 2018 budgeted license expenditure, this carry is anticipated to cover Petrogas' expenditure for 2017 and most of 2018 as well.

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 2017. 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. The principal conditions of such an extension are:

- i) That the Operator submits a field development plan by 2nd January 2018
- ii) That Lille John achieves first oil by Q1 2020
- iii) That Broder Tuck achieves first gas by Q4 2021.

3 Financial expenses

	2016 DKK	2015 DKK
Interest paid to group enterprises	0	3.096.541
Exchange loss	151.906	2.637.140
	151.906	5.733.681

Notes to the Financial Statements

4 Intangible assets

	Oil and gas assets DKK
Cost at 1 January	20.257.174
Additions for the year	0
Cost at 31 December	20.257.174
Impairment losses and amortisation at 1 January	8.850.341
Impairment losses and amortisation at 31 December	8.850.341
Carrying amount at 31 December	11.406.833

5 Equity

	Share capital DKK	Share premium account DKK	Retained earnings DKK	Total DKK
Equity at 1 January	250.000	0	-18.992.167	-18.742.167
Cash capital increase	250.000	29.842.740	0	30.092.740
Net profit/loss for the year	0	0	-687.362	-687.362
Transfer from share premium account	0	-29.842.740	29.842.740	0
Equity at 31 December	500.000	0	10.163.211	10.663.211

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

The share capital has developed as follows:

	2016 DKK	2015 DKK	2014 DKK	2013 DKK	2012 DKK
Share capital at 1 January	250.000	250.000	125.000	125.000	125.000
Capital increase	250.000	0	125.000	0	0
Capital decrease	0	0	0	0	0
Share capital at 31 December	500.000	250.000	250.000	125.000	125.000

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 2016 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 2016 forms part may be obtained at the following address:

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

Notes, Accounting Policies

Basis of Preparation

The Annual Report of Petrogas Denmark ApS for 2016 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 2016 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.

Income Statement

Cost of sales

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

Notes, 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.