



Year-End Report 2010

Summary

- Total revenue for the Group during the fourth quarter amounted to SEK 697.7 million (653.9).
- EBITDA for the quarter totalled SEK 437.7 million (358.4).
- Profit before tax for the fourth quarter was SEK 91.1 million (100.0).
- Earnings per share for the quarter were SEK -0.23 (-0.06) before dilution and SEK -0.23 (-0.06) after dilution.
- Operating cash flow improved for the full year to SEK 416.2 million (142.7), and cash and cash equivalents amounted to SEK 1,260.4 million (123.9) at year-end.
- The debt/equity ratio assuming full conversion improved to 38.3% (54.6%), compared with the target of a maximum of 50%.

Financial Key ratios	Q4 2010	Q4 2009	Jan.-Dec. 2010	Jan.-Dec. 2009
Revenue (SEK million)	697.7	653.9	2,226.7	2,112.8
EBITDA* (SEK million)	437.7	358.4	1,275.7	1,325.9
EBITDA margin (%)	62.7%	54.8%	57.3%	62.8%
Operating profit (SEK million)	218.7	79.1	490.4	429.6
Operating margin (%)	31.3%	12.1%	22.0%	20.3%
Profit/loss before tax (SEK million)	91.1	100.0	179.3	317.5
Earnings per share after dilution (SEK)	-0.23	-0.06	-0.61	0.04

*Earnings before interest, tax, depreciation and amortisation.

CEO's comments

In line with our five-year strategic plan, the pace of development was high during the fourth quarter and for the full year 2010. The Aseng project in Equatorial Guinea is proceeding according to plan and budget, as is development of the small satellite field Didon North in Tunisia. Important progress was also made regarding development of the Zarat field in Tunisia – one of PA Resources' most important development assets. An appraisal drilling on the neighbouring licence confirmed the earlier discovery and at the same time indicated large volumes of hydrocarbons.

To date the political situation in Tunisia has not affected our operations to any material extent, however, we are monitoring developments closely.

As previously communicated, production from the Azurite field is lower than expected. Not until the development has been completed in the second quarter of 2011 will it be possible to provide an accurate estimate of the field's future production. The lower production will be offset to a great extent by improved fiscal terms for the field, whereby PA Resources will receive a higher net entitlement share of the field's total revenues.

The result of drillings on the MPS licence was a disappointment in the main target area. One of the wells was drilled to a more deep-lying structure called Sendji where a

high quality reservoir was encountered. This reservoir is now being evaluated for the entire licence, for a decision regarding the next drilling.

Capital expenditures in 2010 were in line with our forecast at the same time that a higher oil price resulted in improved cash flow from our continuing operations. Capital expenditures for the full year 2011 are estimated to be in the range of SEK 1,100 – 1,250 million, of which most will be during the first half of the year.

PA Resources successfully refinanced the bond loan that matures in March 2011 by issuing a new bond of SEK 850 million. The debt/equity ratio assuming full conversion improved to 38.4% (54.6%), to be compared with our target level of a maximum of 50%.

The oil demand continues to rise in pace with the recovery of the global economy. At the end of 2010, oil broke out from its trading interval, and a two-year high of USD 94 was noted. The unrest in Egypt and severe winter weather in the USA have thereafter pushed the price of oil above USD 100 per barrel. Several watchers predict continued high oil prices, and both OPEC and the IEA raised their forecasts for 2011, which will continue to benefit PA Resources.

Bo Askvik, President and CEO, PA Resources AB

Operational overview

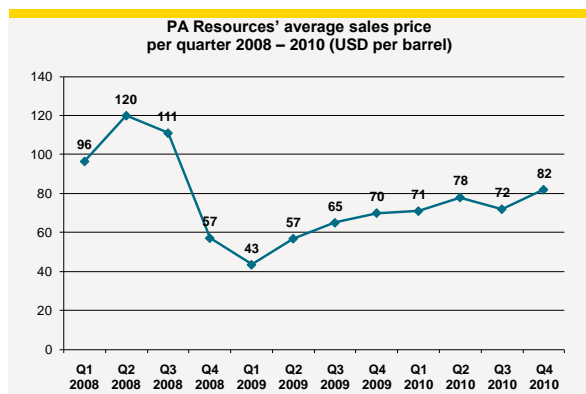
PA Resources AB's business concept is to acquire, develop, exploit and divest oil and gas assets and to conduct exploration to find new reserves. The Group has operations in Tunisia, the Republic of Congo, Equatorial Guinea, the UK, Denmark, Germany, the Netherlands and Greenland.

Production and sales

Fourth quarter 2010 (1 October–31 December)

Total oil production amounted to 1,115,000 barrels (1,227,000) during the fourth quarter. Average production was 12,100 (13,300) barrels of oil per day.

The Azurite field in the Republic of Congo produced 8,050 barrels per day, and the six oilfields in Tunisia produced 4,050 barrels per day. Excluding royalty a total of 681,300 barrels (988,000) of oil were sold during the quarter at an average price of USD 82 (70) per barrel.



Full year, (1 January–31 December)

Total oil production for the full year 2010 was 3,918,000 barrels (4,074,500). Average production was 10,700 barrels (11,200) per day. Excluding royalty a total of 2,860,200 barrels (3,174,000) of oil were sold at an average price of USD 76 per barrel (59).

Oil inventory including royalties and other taxes decreased during the period by 433,648 barrels and totalled 262,156 barrels at the end of the period.

The Group's total outstanding inventory of oil as per the balance sheet date is stated at fair value and is reported as if the inventory had been sold.

Sales and thus inventories vary from quarter to quarter since the point in time for so-called liftings depends on when the inventory was filled and customers collect the agreed-upon volume.

Monthly production reports

PA Resources did not reach its forecast production interval of 15,000–20,000 barrels per day by the end of the year. At year-end PA Resources' total production amounted to approximately 12,000 barrels per day. The production at year-end was lower than forecasted mostly due to a lower than anticipated production on the Azurite field in the Republic of Congo.

On the Azurite field, the remaining replacement well and two injectors will be completed during the first and second quarters of 2011. It is not until then that an accurate estimate of the field's future production capacity can be made. PA Resources' assessment is though that it will be lower than what has previously been communicated.

Of PA Resources' two large producing fields, the Azurite field is the largest. In the light of uncertainty over the field's future production capacity, partly because of the absence of an updated production forecast from the operator, the Company is refraining from providing a production forecast for 2011. PA Resources will for the time being publish monthly production reports in order to continuously report on the total production.

Reserves and resources

PA Resources' total proven and probable oil and gas reserves (2P) amounted to 72.5 (78.9) million barrels of oil equivalents on a working interest basis after production and adjustments. The corresponding reserves amounted to 49.8 (48.2) million barrels on a Net Entitlement Basis. For more information and explanations, see the *Reserves and resources* section on page 23.

Drilling programme 2011/2012

During the fourth quarter, three wells were drilled on the Mer Profond Sud licence - one exploration well on the Cobalt prospect, and two appraisal wells on the Turquoise field. Exploration drilling is in progress on the Jelma licence in Tunisia.

The drilling programme for 2011/2012 comprises up to nine exploration wells, one appraisal well, one production well, and two water injectors. PA Resources estimates that remaining wells contain oil resources amounting to approximately 400 million barrels of oil equivalents, of which 140 million barrels net for PA Resources.

Capital expenditures 2011

Capital expenditures in 2010 were entirely in line with the PA Resources' forecast of SEK 1,400–1,600 million. Capital expenditures for the full year 2011 are estimated to be SEK 1,100–1,250 million, of which most will be during the first half of the year.

Licence	Field/ Prospect	Time	Well/number
Tunisia			
Jelma	Sidi M'barek /Jbil	Ongoing	Exploration/2
Zarat	Elyssa	2011/2012	Appraisal/1
Republic of Congo			
Azurite		Q1,Q2 2011	Prod./Injection/3
Mer Profond Sud		Q1, 2012	Exploration/1
Marine XIV		Q4, 2011	Exploration/1
Equatorial Guinea			
Block I	Sofia	2011	Exploration/2
Block H	Aleta	2011/2012	Exploration/1
Denmark			
Block 12/06	Lille John Broder Tuck	Q2, 2011	Exploration/2

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

West Africa Region Republic of Congo (Brazzaville) and Equatorial Guinea

PA Resources owns interests in two exploration licences offshore the Republic of Congo (Brazzaville) and one producing field, the Azurite Field. PA Resources also owns interests in two exploration licences in the Gulf of Guinea offshore Equatorial Guinea, where development of the Aseng field in Block I is progressing and the plan of development for the Alen field were recently approved.

Licence	Licence status	PAR's share
Republic of Congo		
Mer Profond Sud	Exploration Offshore	35%
» Azurite Field	Exploitation Offshore	35%
Marine XIV	Exploration Offshore	12.5%
Equatorial Guinea		
Block I	Exploration Offshore	5.7%
» Aseng	Exploitation Offshore	5.7%
» Alen	Exploitation Offshore	0.29%
Block H	Exploration Offshore	5.94%

Important events

Production and remaining wells on Azurite field, Rep. Congo
Production on the Azurite Field in the Republic of Congo is lower than expected and the field's average production in January 2011 amounted to approximately 20,000 barrels per day. The most recent production wells encountered reduced reservoir development, and reservoir complexity combined with some indications of reduced aquifer development has reduced the recoverable reserves of the field. For more information, see the *Reserves and resources* section on page 23.

The three new production wells completed in the fourth quarter have been producing at reduced levels awaiting completion of planned water injection wells. Drilling of the remaining wells has been slower than expected, as earlier communicated.

The remaining work program on Azurite includes drilling and completion of two water injector wells (of which the first is nearly complete) and one new replacement production well. These wells are expected to be completed in the first and second quarter of 2011 to provide pressure support to the production wells on the field and increase the overall field production rate. The development of the field is now expected to be completed in the second quarter. Work by PA Resources is ongoing to create a dynamic forecasting model of future production from the Azurite Field and this work will be finalised with the benefit of information from the wells remaining to be drilled. PA Resources' assessment pending completion of the ongoing drilling and evaluation is that production will be lower than previously communicated.

Improved fiscal terms for Azurite and MPS, Rep. of Congo
An agreement on improved fiscal terms for the production-sharing contract that covers the Mer Profond Sud (MPS) licence and the Azurite field has been reached with the authorities in the Republic of Congo. The new agreement means that both the Azurite field and the MPS licence will obtain improved fiscal terms. By that PA Resources increases its net entitlement share of field revenues, from approximately 16% to approximately 24%.

The agreement has been formally approved by the Council of Ministers, and the parliamentary approval process is currently in progress. Net entitlement production refers to barrels of oil attributable to PA Resources under the terms of the production-sharing contract and which can be equated to "post-tax" barrels.

Drillings on the MPS licence, Republic of Congo

In late 2010 three wells were drilled on the Mer Profond Sud licence in the Republic of Congo. The Cobalt Marine 1 exploration well was plugged and abandoned as a dry hole. At the Turquoise Marine 3 and 4 appraisal wells, no hydrocarbons were found at the primary Miocene target.

Turquoise Marine 4 was drilled to a deeper target, where non-commercial oil pay was encountered of approx. 5 metres along with significant reservoir development. This deeper reservoir in the Sendji formation is now being assessed over the entire MPS licence and may lead to future exploration drillings. This will form the basis for a decision on drilling at the end of the year.

Exploration drilling on Marine XIV licence, Rep. of Congo
Drilling of an exploration well on the Marine XIV licence is planned by the fourth quarter of 2011. Drilling will be carried out with the help of a semi-submersible drilling rig.

Development of Aseng field, Equatorial Guinea
Development drilling and completions on the Aseng field in Block I in Equatorial Guinea substantially advanced during the fourth quarter. A total of ten wells were drilled, of which five are production wells, three water injectors and two gas injectors. The Atwood Hunter drilling rig finished its operations in December, while the Pride South Pacific rig will continue its activities through the first quarter of 2011.

In addition, overall progress on upgrading the FPSO vessel, topsides fabrication and subsea assembly and testing

remain on schedule. Installation activities commence in mid-2011 and the field's production start is anticipated in the first half of 2012.

Approved development of Alen field, Equatorial Guinea
The plan of development for the Alen field (formerly Belinda) in Block I offshore Equatorial Guinea was reviewed by the authorities during the fourth quarter of 2010 and approved in January 2011. The reservoir lies primarily in Block O, where the original discovery was made, and extends in to the northern part of Block I, where PA Resources has a 5.7% interest.

The Alen field will be using storage capacity at the nearby Aseng field. Cost savings will generate substantial economic value for PA Resources and the other partners.

The project is proceeding with procurement of equipment with long lead times and allocation of contracts for construction of the field's production facilities. For further information, see Note 13, *Events after the end of the reporting period*.

North Africa Region Tunisia

PA Resources has been operating in Tunisia since 1998 and is one of the country's largest oil producers. The Group has interests in six producing fields, of which Didon is the largest, as well as in four exploration licences. PA Resources is the operator of seven of the licences.

Licence	Licence status	PAR's share
Douleb	Production Onshore	70%
Semmama	Production Onshore	70%
Tamesmida	Production Onshore	95%
Ezzaouia	Production Onshore	13.6%
El Bibane	Production Offshore	23.9%
Didon	Production Offshore	100%
Jelma	Exploration Onshore	70%**
Jenein Centre	Exploration Onshore	35%
Makthar	Exploration Onshore	100%**
Zarat	Exploration Offshore	100%**

** ETAP has the right to back in to 50% in the Jelma licence as well as 55% in Makthar and Zarat by paying its share of incurred and future costs.

Important events

The "Jasmine revolution"

Political unrest broke out in Tunisia in late 2010 and intensified in early 2011. PA Resources' operations at the production facilities have continued without any major disruptions, and planned liftings have been completed. The company's facilities have remained open with some brief exceptions and with focus on employee safety. For further information, see Note 13, *Events after the end of the reporting period*.

Development of Zarat field

On the "7th of November" licence, situated north of PA Resources' Zarat oil field offshore Tunisia, the operator Sonde Resources drilled an appraisal well during the fourth quarter. According to the operator, the well's test results confirmed the thickness of the hydrocarbon column. The result of the drilling allows field unitisation, entailing allocation of the oil reserves to the two licences containing the field. This will form the basis for a revised plan of development for the Zarat field.

Processing of seismic data on the Zarat licence completed
Processing of a 3D seismic survey of the southern parts of the Zarat licence, with a focus on the Elyssa discovery, was completed during the quarter. Analysis of data is in progress and is expected to be completed during the first quarter of 2011.

Production and maintenance on the Didon field

During the fourth quarter, the Didon field – which is PA Resources' second-largest producing field – produced mainly from three of the field's five wells. Measurements and actions are being carried out on a continuous basis at all wells in order to provide some compensation for the field's natural decline. An updated statistical model of the field will form the basis of a new dynamic modelling of the field's production profile.

Development of Didon North satellite field

Development planning and procurement are proceeding according to plan for development of the Didon North discovery, located 5 kilometres northeast of the Didon field's production platform. Work on construction and design of all necessary installations below and above the water surface is advancing and will continue during the coming quarters. First oil is expected in the second half of 2011.

Exploration drilling on Jelma

Drilling of two exploration wells on the Jelma licence onshore Tunisia began during the late part of the fourth quarter. Drilling of the first well in the Sidi M'barek prospect began in mid-December and is being completed according to plan. The rig will then be moved to the second prospect, Jbil, and parallel with this, the results of the Sidi M'barek well will be tested for production.

Seismic survey of the Makthar licence

A 2D seismic study of 164 kilometres was completed during the quarter. Processing and assessment of data are in progress and are expected to be completed during the second quarter.

North Sea Region UK, Denmark, Germany, Netherlands and Greenland

PA Resources conducts offshore exploration activities in the UK, Denmark, the Netherlands, Germany and western Greenland. In total, PA Resources owns interests in 11 licences and is the operator for six of these.

Licence	Licence status	PAR's share
United Kingdom		
P1342	Exploration Offshore	100%
P1529	Exploration Offshore	32%
Block 22/18c*	Exploration Offshore	33.34%
Denmark		
Block 12/06	Exploration Offshore	64%
Block 9/06	Exploration Offshore	26.8%
Block 9/95	Exploration Offshore	26.8%
Netherlands		
Block Q7	Exploration Offshore	30%
Block Q10a	Exploration Offshore	30%
Schagen	Exploration Offshore	30%
Germany		
B20008-73**	Exploration Offshore	100%
Greenland		
Licence 2008/17	Exploration Offshore	87.5%

*The licence has been provisionally awarded to PA Resources, awaiting final approval.

** Awarded as per 1 January 2011, after the end of the reporting period.

Important events*New licence awarded in UK's 26th Licensing Round*

In October PA Resources was provisionally awarded a new licence offshore Britain in the UK's 26th Licensing Round. PA Resources has been named as operator of the licence with a 33.34% working interest. The partners are Valiant Exploration Limited and First Oil Expro Limited, with 33.33% working interests each.

The committed work programme involves processing of existing 3D seismic data to assess a previously identified prospect, with an option to commit to drill an exploration well.

Exploration drilling in Denmark

Two exploration wells will be drilled at the Lille John and Broder Tuck prospects on the Danish licence 12/06 during the second quarter of 2011. A geological survey of the drilling site has been completed, and a contract has been signed with Ensco for a drilling rig. Planning for drilling and procurement of equipment are well advanced according to plan.

Return of Danish licence 11/06

The Danish licence 11/06 was returned to the authorities during the fourth quarter, giving rise to an impairment charge of SEK 10 million on book value. The licence commitment was transferred to licence 12/06.

Award of licence offshore Germany

After the end of the quarter, PA Resources was awarded the German offshore licence B20008-73, which is immediately adjacent to the Group's Danish licence 12/06 with similar exploration targets. The two wells that will be drilled on the Danish licence will form important, modern data points to allow an up-to-date evaluation of the prospectivity of the German licence. PA Resources is the operator of the licence with a 100% interest. For further information, see Note 13, *Events after the end of the reporting period*.

Performance and financial position Group

Fourth quarter 2010 (1 October–31 December)

Group revenue increased to SEK 697.7 million (653.9). The increase in revenue is attributable to a higher sales price of USD 82 (72) per barrel. This increase was slightly offset by lower production and the weaker US dollar.

Costs for raw materials and consumables including royalties increased to SEK 211.2 million (228.7). Production costs rose in connection with higher production from the Azurite field in the Republic of Congo, which was counteracted by lower production in North Africa. The royalty cost amounted to SEK 82.4 million (76.5). Currency movements had a positive impact on the cost of raw materials and consumables.

EBITDA (earnings before interest, tax, depreciation and amortisation) was SEK 437.7 million (358.4).

Depreciation, amortisation and impairment losses amounted to SEK 219.0 million (279.2). Impairment losses were lower than in the corresponding period a year ago and amounted to SEK 12.7 million (79.8). Operating profit was SEK 218.7 million (79.1), and the operating margin for the period was 31% (12%).

Net financial items for the Group amounted to SEK -127.6 (20.8) during the fourth quarter. Exchange rate effects on net financial items were marginal, compared with a positive effect a year earlier.

Profit before tax was SEK 91.1 million (100.0).

Reported income tax during the quarter increased to SEK -240.9 million (-122.0), mainly as a result of higher production from the Azurite field in the Republic of Congo. Paid tax during the quarter amounted to SEK 28.1 million (63.5).

Earnings per share before and after dilution were SEK -0.23 (-0.06).

Full year 2010 (1 January–31 December)

Group revenue increased to SEK 2,226.7 million (2,112.8). The increase in revenue is mainly attributable to an increase in the Group's average selling price, which was USD 76 (59) per barrel for the year. This was offset in part by negative exchange rate effects from the weaker US dollar and in part by lower production. Revenue also included other items totalling SEK 144.6 million (153.5).

Costs for raw materials and consumables including royalties increased to SEK 758.8 million (551.3). The increase is mainly attributable to higher production from the Azurite field in the Republic of Congo, which began operating in late 2009. The royalty cost amounted to SEK 268.7 million (210.9).

EBITDA (earnings before interest, tax, depreciation and amortisation) was SEK 1,275.7 million (1,325.9).

Operating profit was SEK 490.4 million (429.6), and the operating margin for the year was 22% (20%).

Net financial items for the Group amounted to SEK -311.1 million (-112.1) for the year. The increase is mainly

attributable to revaluation effects in financial instruments of SEK -8.3 million (130.1). Capitalised interest expenses decreased and amounted to SEK 92.2 million (169.8).

Profit before tax was SEK 179.3 million, compared with SEK 317.5 million for the full year 2009.

Reported income tax for the year increased to SEK -495.7 million (-304.7), mainly attributable to higher production from the Azurite field in the Republic of Congo. Paid tax during the year amounted to SEK 229.6 million (153.2).

Earnings per share before and after dilution were SEK -0.61 (0.04).

Return on equity was negative, compared with 2009, when it amounted to 0.3%. Return on capital employed was 7.4% (8.3%).

Capital expenditures during the year

Total capital expenditures amounted to SEK 1,585.3 million (1,964.6) during the year, which is in line with the Company's forecast of SEK 1,400–1,600 million for the full year. Capital expenditures in intangible assets totalled SEK 273.2 million (803.7) during the year and pertained to investments in oil and gas assets. Of this, SEK 162.9 million (677.7) consisted of investments in the West Africa segment.

The Group's capital expenditures in property, plant and equipment totalled SEK 1,312.2 million (1,160.8) during the year and pertained to investments in oil and gas assets. Of this, SEK 1,132.2 million (634.9) pertained to investments in the West Africa segment.

Liquidity and financing during the year

The Group's operating cash flow amounted to SEK 416.2 million (142.7) for the year.

Net cash flow after financing and capital expenditures was SEK 1,151.8 million (115.0).

Total interest-bearing liabilities including convertibles amounted to SEK 4,395.0 million (3,853.7) as per 31 December. Available lines of credit amounted to approximately SEK 2,040 million, of which approximately 52 percent was utilised. Cash and cash equivalents at year-end amounted to SEK 1,260.4 million (123.9).

Shareholders' equity as per 31 December amounted to SEK 5,250.0 million (4,637.8) and was negatively affected by translation differences of SEK 712.4 million (690.9). The equity/assets ratio was 48.2% (45.8%).

The Group's debt/equity ratio was 59.7% (80.4%) as per 31 December. In accordance with the Company's financial target, the net debt/equity ratio may not exceed 50% except for temporarily, assuming full conversion of outstanding convertible bonds to shareholders' equity. Calculated in this manner, the debt/equity ratio at year-end was 38.3% (54.6%).

Performance and financial position Parent company

Fourth quarter 2010 (1 October–31 December)

The parent company's revenue pertains mainly to intra-Group sales and amounted to SEK 9.1 million (4.9) during the quarter.

Net financial items amounted to SEK 11.0 million (-80.2) during the fourth quarter.

Profit before tax was SEK 5.2 million (-86.0).

Full year 2010 (1 January–30 December)

The parent company's revenue amounted to SEK 26.7 million (20.0) for the year.

Net financial items for the year amounted to -279.5 million (-152.3).

The result before tax was SEK -300.8 million (-198.5).

Cash and cash equivalents amounted to SEK 1,081.2 million (50.3) as per 31 December. Shareholders' equity amounted to SEK 3,850.9 million (2,500.7). The increase is attributable to the rights issue that was carried out in June 2010.

Total interest-bearing loans and liabilities amounted to SEK 2,801.1 million (3,084.7) as per the balance sheet date and pertain to outstanding loans in USD and NOK, convertible bonds, and the newly issued bond loan of SEK 850 million.

Key ratios – five-year overview

		31 Dec. 2010	31 Dec. 2009	31 Dec. 2008	31 Dec. 2007	31 Dec. 2006
Revenue	SEK 000s	2,226,732	2,112,841	2,419,863	2,793,831	856,675
EBITDA	SEK 000s	1,275,676	1,325,877	1,771,823	2,073,729	471,296
Operating profit	SEK 000s	490,424	429,601	1,395,749	1,833,485	359,267
Operating profit per share after dilution**	SEK	0.94	1.35	4.64	6.08	1.26
Operating margin	%	22%	20%	58%	66%	42%
Income after financial items per share after dilution**	SEK	0.34	1.00	2.74	5.96	1.04
Earnings per share after dilution**	SEK	-0.61	0.04	3.08	3.14	0.81
Return on equity	%	neg	0.3%	22.9%	33.6%	12.8%
Return on assets	%	6.4%	6.8%	16.9%	34.2%	12.4%
Return on capital employed	%	7.4%	8.3%	20.6%	39.8%	14.4%
Equity per share before dilution**	SEK	8.24	13.41	15.86	11.12	7.72
Equity per share after dilution**	SEK	8.24	13.41	15.80	10.79	7.52
Profit margin	%	8.1%	15.0%	34.0%	64.3%	34.7%
Equity/assets ratio	%	48.2%	45.8%	45.5%	49.5%	46.9%
Debt/equity ratio	%	59.7%	80.4%	74.8%	64.6%	54.5%
Debt/equity ratio, full conversion	%	38.3%	54.6%	n/a	n/a	n/a
Share price at end of period*	SEK	7.50	11.93	5.58	24.74	35.05
Share price/Equity per share before dilution*	Times	0.91	0.89	0.35	2.23	4.54
P/E multiple per share*	Times	-12.36	295.22	1.81	7.81	43.20
Number of shares outstanding before dilution**	Number	637,475,843	345,814,769	299,968,388	298,937,668	298,937,668
Number of shares outstanding after dilution**	Number	637,475,843	345,814,769	300,999,108	308,059,540	307,080,356
Average number of shares outstanding before dilution**	Number	521,614,740	318,998,246	299,427,260	298,937,668	284,116,480
Average number of shares outstanding after dilution**	Number	521,614,740	318,998,246	300,921,829	301,700,581	285,309,480

Currency rates

	Closing day rate 31 Dec. 2010	Average rate Jan.-Dec. 2010	Closing day rate 31 Dec. 2009	Average rate Jan.-Dec. 2009
1 EUR in SEK	9.00	9.54	10.35	10.62
1 USD in SEK	6.80	7.20	7.21	7.65
1 TND in SEK	4.75	5.09	5.49	5.76
1 NOK in SEK	1.15	1.19	1.24	1.22
1 GBP in SEK	10.55	11.13	11.49	11.93
1 DKK in SEK	1.21	1.28	1.39	1.43

Quarterly overview

		Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Revenue	SEK 000s	697,662	529,954	588,903	410,213	653,917	696,487	432,143	330,294
Operating profit	SEK 000s	218,679	94,335	163,046	14,364	79,137	247,296	119,858	-16,690
Operating margin	%	31.3%	17.8%	27.7%	3.5%	12.1%	35.5%	27.7%	-5.1%
Earnings per share after dilution**	SEK	-0.23	0.22	-0.46	-0.27	-0.06	0.08	0.24	-0.21
Return on equity	%	neg	2.4%	neg	neg	neg	0.5%	1.5%	neg
Return on assets	%	2.2%	3.7%	1.7%	0.5%	3.0%	3.0%	1.5%	0.6%
Return on capital employed	%	2.5%	4.2%	1.9%	0.6%	3.6%	3.8%	2.0%	0.8%
Equity per share before dilution**	SEK	8.24	8.36	9.53	12.65	13.41	14.13	15.31	15.53
Equity per share after dilution**	SEK	8.24	8.36	9.53	12.65	13.41	14.10	15.29	15.50
Profit margin	%	13.1%	59.5%	-23.5%	-21.6%	15.3%	16.5%	35.1%	-14.8%
Equity/assets ratio	%	48.2%	52.7%	53.0%	45.2%	45.8%	48.0%	44.8%	48.0%
Debt/equity ratio	%	59.7%	52.2%	41.0%	85.2%	80.4%	69.9%	61.1%	63.2%

* In connection with the completed rights issue in May/June 2010, the share price at the end of the period has been adjusted retrospectively, which has affected Share price/Equity per share before dilution and the P/E multiple per share.

** The number of shares outstanding includes only shares that give rise to a dilutive effect. In calculating the potential dilutive effect for convertibles, this would have resulted in a positive effect on earnings per share. The applicable accounting policies (IAS 33) do not allow inclusion of a positive effect. Outstanding convertibles are also excluded in calculations of the dilutive effect on shareholders' equity per share. The completed rights issue in May/June 2010 gave rise to a bonus issue element in the number of shares outstanding. According to the applicable accounting policies (IAS 33), a retrospective adjustment of the number of shares outstanding is to be done. Such retrospective adjustment has led to changed key ratio measurements for operating profit per share, profit after net financial items per share, profit after tax per share, shareholders' equity per share, the share price through shareholders' equity per share, and the P/E multiple per share as per above.

Ownership structure

The 10 largest shareholders as per 31 January 2011	Number of shares	Share of capital/votes
AVANZA PENSION	41,394,595	6.5%
LÄNSFÖRSÄKRINGAR FONDFÖRVALTNING	30,040,535	4.7%
NORDNET PENSIONS FÖRSÄKRING AB	22,276,309	3.5%
JP MORGAN BANK	11,183,830	1.8%
SIX SIS AG, W8IMY	8,661,970	1.4%
SKANDINAVISKA ENSKILDA BANKEN S.A., NQI	8,288,760	1.3%
ROBUR FÖRSÄKRING	7,827,995	1.2%
LINDKVIST, BERTIL	7,290,044	1.1%
BNY GCM CLIENT ACCOUNTS (E) ISG	5,965,496	0.9%
HANDELSBANKEN FONDER	5,766,352	0.9%
Total - 10 largest shareholders	148,695,886	23.3%
Total - other shareholders	488,779,957	76.7%
Total number of shares	637,475,843	100%

Other

Risks and uncertainties

PA Resources' financial, operational, business and social risks are described in the Company's 2009 Annual Report, published on 31 March 2010, in the section *Risks and risk management*.

Risks in the near term include possible disruptions in production at the producing fields, especially in connection with drilling, maintenance and installations, and additional delays in development projects. Ongoing political unrest in north Africa, which is difficult to assess, could have an impact on the company's operations. Thus far the operations on the production facilities have not been affected to any major extent.

Refinancing of bond loan

At the end of December, PA Resources issued an unsecured bond loan of SEK 850 million, primarily to repay an existing bond loan of NOK 500 million maturing in March 2011. The new bond loan matures in October 2013 and has a fixed coupon of 10.50%. PA Resources intends to list the bond for trading on NASDAQ OMX in Stockholm.

Delisting the Company's share and convertible from Oslo Stock exchange

Effective 1 February 2011, PA Resources AB's share is solely listed on the NASDAQ OMX Nordic Exchange in Stockholm (Mid Cap segment). The Company's share and convertible were delisted from the Oslo Stock Exchange on 31 January 2011. For further information, see Note 13 *Events after the end of the reporting period*.

Proposed dividend

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2010 financial year.

Personnel

PA Resources has regional offices in Tunisia (Tunis), UK (London), and a local office in the Republic of Congo (Pointe Noire). The Company's head offices are located in Stockholm, Sweden. In addition, the Group has personnel stationed at production facilities in Tunisia.

At year-end the number of employees of PA Resources was 135 (131). Of these, 113 (107) were men and 22 (24) were women. The average number of employees in 2010 was 133 (136).

Financial calendar 2011

- *Annual Report 2010 (PDF)*
31 March 2011
- *Interim report Q1 2011 (Jan.–March)*
4 May 2011
- *Annual General Meeting 2011*
17 May 2011
- *Interim report Q2 2011 (Jan.–June)*
17 August 2011
- *Interim report Q3 2011 (Jan.–Sept.)*
26 October 2011
- *Year-end report 2011 (incl. Q4)*
15 February 2012

Webcasted conference call 16 February

PA Resources will present its results for the fourth quarter and full year 2010 at 10 a.m. (CET) on 16 February via a webcasted conference call. To participate, see the link on www.paresources.se (homepage), or call:

Sweden: +46 (0)8 505 598 53

UK: +44 (0)203 043 24 36

US: +1 866 458 40 87

The presentation material will be published on www.paresources.se, where you can also view and listen to the presentation afterwards on-demand.

Disclosure

The information in this interim report is such that PA Resources AB is required to disclose pursuant to the Securities Market Act and Financial Instruments Trading Act. Submitted for publication at 8:15 a.m. (CET) on 16 February.

This report has not been reviewed by the Company's auditors.

PA Resources AB (publ.)
Stockholm, 16 February 2011

Bo Askvik
President and CEO

Further information about PA Resources can be found at www.paresources.se. Queries concerning this report can be sent to ir@paresources.se or directed to:

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Financial statements Group**Group – condensed income statement**

SEK 000s	Notes	Q4 2010	Q4 2009	Jan.-Dec. 2010	Jan.-Dec. 2009
Revenue	3, 5	697,662	653,917	2,226,732	2,112,841
Cost of sales	4	-211,229	-228,664	-758,828	-551,279
Other external expenses		-30,398	-33,555	-125,169	-140,556
Personnel expenses	10	-18,326	-33,344	-67,059	-95,129
Depreciation, amortisation and impairment losses	5	-219,030	-279,217	-785,252	-896,276
Operating profit	5	218,679	79,137	490,424	429,601
Financial income	6	11,009	88,850	182,890	269,975
Financial expenses	6	-138,560	-68,018	-494,033	-382,032
Total financial items		-127,551	20,832	-311,143	-112,057
Profit before tax	5	91,128	99,969	179,281	317,544
Income tax	7	-240,859	-121,990	-495,668	-304,653
Profit for the period		-149,731	-22,021	-316,387	12,891
Profit for the period attributable to:					
Owners of the parent		-149,731	-22,021	-316,387	12,891
Earnings per share before dilution		-0.23	-0.06	-0.61	0.04
Earnings per share after dilution		-0.23	-0.06	-0.61	0.04

Earnings per share is attributable to owners of the parent.

Group – condensed statement of comprehensive income

SEK 000s	Notes	Q4 2010	Q4 2009	Jan.-Dec. 2010	Jan.-Dec. 2009
Profit for the period		-149,731	-22,021	-316,387	12,891
Other comprehensive income					
Exchange differences during the period		72,741	-114,751	-712,429	-690,860
Financial assets available-for-sale		198	217	-1,065	1,088
Income tax relating to financial assets available-for-sale		-52	-58	284	-287
Total other comprehensive income		72,887	-114,592	-713,210	-690,059
Total comprehensive income		-76,844	-136,613	-1,029,597	-677,168
Total comprehensive income attributable to:					
Owners of the parent		-76,844	-136,613	-1,029,597	-677,168

Group – condensed statement of financial position

SEK 000s	Notes	31 Dec. 2010	31 Dec. 2009
ASSETS			
Intangible assets		1,728,771	1,756,094
Property, plant and equipment		7,221,384	7,362,724
Financial assets		2,185	4,533
Deferred tax assets		0	18,808
Total non-current assets		8,952,340	9,142,159
Inventory		5,034	5,546
Derivative financial instruments	8	0	26,004
Accounts receivable and other receivables		677,117	821,376
Current tax assets	7	3,168	3,806
Cash and cash equivalents		1,260,393	123,874
Total current assets		1,945,712	980,606
TOTAL ASSETS		10,898,052	10,122,765
EQUITY			
Equity attributable to owners of the parent			
Share capital		318,738	83,877
Other capital contributions	9	3,764,137	2,357,593
Reserves		-954,911	-241,701
Retained earnings and profit for the period		2,122,026	2,438,055
Total equity		5,249,990	4,637,824
LIABILITIES			
Interest-bearing loans and borrowings	9	2,767,310	2,674,506
Derivative financial instruments	8	0	10,819
Deferred tax liabilities	7	409,031	570,252
Provisions	10	429,884	367,956
Total non-current liabilities		3,606,225	3,623,533
Provisions		0	2,897
Current tax liabilities		70,746	291,644
Derivative financial instruments	8	9,523	0
Current interest-bearing loans and borrowings		1,627,695	1,179,237
Accounts payable and other liabilities		333,873	387,630
Total current liabilities		2,041,837	1,861,408
TOTAL EQUITY AND LIABILITIES		10,898,052	10,122,765
PLEGED ASSETS	12	2,179,630	2,358,194
CONTINGENT LIABILITIES	12	14,000	14,000

Group – condensed statement of changes in equity

SEK 000s	Notes	Equity attributable to owners of the parent				Total
		Share capital	Other capital contribution	Reserves	Retained earnings and profit/loss for the period	
Balance at 1 January 2009		72,757	1,811,525	448,358	2,424,087	4,756,727
Total comprehensive income				-690,059	12,891	-677,168
Transactions with shareholders						
New share issue		5,500	286,000			291,500
Issue expenses			-8,745			-8,745
Redemption convertible shares	9	5,620	134,397			140,017
Convertible bond	9		209,094			209,094
Deferred tax on convertible bond	9		-74,678			-74,678
Share based payments	10				1,077	1,077
Closing balance at 31 December 2009		83,877	2,357,593	-241,701	2,438,055	4,637,824
Balance at 1 January 2010		83,877	2,357,593	-241,701	2,438,055	4,637,824
Total comprehensive income				-713,210	-316,387	-1,029,597
Transactions with shareholders						
New share issue		234,856	1,526,561			1,761,417
Issue expenses			-120,087			-120,087
Redemption convertible shares	9	5	70			75
Share based payments	10				358	358
Closing balance at 31 December 2010		318,738	3,764,137	-954,911	2,122,026	5,249,990

The number of shares was 637,475,843 as per 31 December 2010. No dividend has been decided for the 2009 financial year or previous financial years. Existing reserves pertain to the effects of translation of operations conducted in foreign currencies and changes in the revaluation reserve.

Group – condensed statement of cash flows

SEK 000s	Jan.-Dec. 2010	Jan.-Dec. 2009
Cash flow from operating activities		
Income after financial items	179,281	317,544
Adjustments for non-cash items	348,359	766,790
Income tax paid	-229,639	-153,215
Total cash flow from operating activities		
before changes in working capital	298,001	931,119
Cash flow from changes in working capital		
Increase (-)/decrease (+) in inventory	-6,392	-6,817
Increase (-)/decrease (+) in receivables	-168,613	-386,900
Increase (+)/decrease (-) in liabilities	293,218	-394,749
Cash flow from operating activities	416,214	142,653
Cash flow from investing activities		
Disposal of subsidiaries	0	999,011
Acquisition of subsidiaries	0	-700
Investments in intangible assets	-273,189	-803,721
Investments in property, plant and equipment	-1,312,150	-1,160,830
Cash flow from investing activities	-1,585,339	-966,240
Cash flow from financing activities		
New share issue	1,641,330	282,755
Loans raised	2,272,818	2,936,215
Amortisation of debt	-1,593,182	-2,280,426
Cash flow from financing activities	2,320,966	938,544
Cash flow for the period	1,151,841	114,957
Cash and cash equivalents at the beginning of period	123,874	12,832
Exchange rate difference in cash and cash equivalents	-15,322	-3,915
Cash and cash equivalents at end of period	1,260,393	123,874
Adjustments for non-cash items		
Depreciation, amortisation and impairment losses	785,252	896,276
Accounting fair value of financial instruments	8,271	-130,105
Oil sales attributable to Net Entitlement Method (net)	33,153	-117,148
Other items including exchange gains and losses (net)	-478,317	117,767
Total	348,359	766,790

Financial statements Parent company**Parent company – condensed income statement**

SEK 000s	Notes	Q4 2010	Q4 2009	Jan.-Dec. 2010	Jan.-Dec. 2009
Net sales		9,059	4,880	26,677	20,035
Other external expenses	11	-7,109	-5,465	-23,932	-37,384
Personnel expenses		-7,686	-5,174	-23,883	-28,733
Depreciation, amortisation and impairment losses		-47	-49	-193	-194
Operating profit/loss		-5,783	-5,808	-21,331	-46,276
Financial income and similar	6, 8	112,070	147,598	427,612	558,223
Financial expenses and similar	6, 8	-101,069	-227,781	-707,092	-710,486
Total financial items		11,001	-80,183	-279,480	-152,263
Profit/loss before tax		5,218	-85,991	-300,811	-198,539
Income tax	7	2,696	2,243	10,082	19,600
Result for the period		7,914	-83,748	-290,729	-178,939

Parent company – condensed balance sheet

SEK 000s	Notes	31 Dec. 2010	31 Dec. 2009
ASSETS			
Tangible non-current assets		246	385
Financial assets		8,349,455	6,894,212
Total non-current assets		8,349,701	6,894,597
Current tax assets		984	1,304
Derivative financial instruments	8	0	26,004
Other receivables		2,044	4,265
Prepaid expenses and accrued income		9,404	28,154
Cash and cash equivalents		1,081,247	50,279
Total current assets		1,093,679	110,006
TOTAL ASSETS		9,443,380	7,004,603
SHAREHOLDERS' EQUITY			
<i>Restricted equity</i>			
Share capital		318,738	83,877
Statutory reserve		985,063	985,063
Revaluation reserve		20	801
<i>Total restricted equity</i>		<i>1,303,821</i>	<i>1,069,741</i>
<i>Non-restricted equity</i>			
Share premium reserve	9	2,748,709	1,342,166
Profit/loss brought forward and profit/loss for the period		-201,586	88,800
<i>Total non-restricted equity</i>		<i>2,547,123</i>	<i>1,430,966</i>
Total shareholders' equity		3,850,944	2,500,707
LIABILITIES			
Provisions	10	0	56
Total provisions		0	56
Liabilities Group companies		2,610,248	1,213,106
Interest-bearing loans and borrowings	9	1,650,448	2,052,581
Derivative financial instruments	8	0	10,819
Deferred tax liability		44,999	55,365
Total non-current liabilities		4,305,695	3,331,871
Accounts payable		1,046	4,787
Other liabilities		506	353
Derivative financial instruments	8	9,523	0
Current interest-bearing loans and liabilities		1,150,602	1,032,163
Accrued expenses and prepaid income		125,064	134,666
Total current liabilities		1,286,741	1,171,969
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		9,443,380	7,004,603
PLEGDED ASSETS	12	2,123,060	2,344,063
CONTINGENT LIABILITIES	12	14,000	14,000

Notes to the financial statements

Note 1. Company information

PA Resources AB (publ.), corporate identity no. 556488-2180, registered in Stockholm, Sweden, has been listed on the NASDAQ OMX Nordic Exchange in Stockholm (Mid Cap segment) since 2006. For further information, see Note 13 *Events after the end of the reporting period*. The Company's and its subsidiaries' operations are described in the section "*Operational overview*".

Note 2. Accounting policies

The Year-end report for the period ended 31 December 2010 has been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act. The consolidated financial statements for the fourth quarter of 2010 have, like the full year 2009, been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Swedish Annual Accounts Act. The parent company's accounts have been prepared in accordance with Annual Accounts Act and guideline RFR 2, Accounting for Legal Entities, issued by the Swedish Financial Reporting Board (RFR).

The same accounting policies have been applied for the period as those applied for the 2009 financial year and as described in the 2009 Annual Report.

The Year-end report does not contain all the information and disclosures provided in the annual report; the Year-end report should therefore be read in the same context as the 2009 Annual Report.

Note 3. Revenue

Total outstanding oil inventory in number of barrels is carried at fair value as per the balance sheet date and is reported as if the oil inventory had been sold. The total, reported non-cash effect on revenue from the fair value adjustment above amounted to SEK -78.3 million for the period January–December 2010.

Note 4. Raw materials and consumables

SEK 000s	Q4 2010	Q4 2009	Jan.-Dec. 2010	Jan.-Dec. 2009
Operation and production costs	128,854	152,191	490,079	340,333
Royalties	82,375	76,473	268,749	210,946
Total cost of sales	211,229	228,664	758,828	551,279

The parent company has no costs for raw materials and consumables.

Note 5. Segment reporting

The Group is organised in and is managed according to geographical regions that correspond to the operating segments for which information is given and is followed up internally at the operational level. Operating segments per geographical region include all reporting local entities within each respective region.

The same accounting policies and calculation methods have been used in the reporting of operating segments in this interim report as in the 2009 Annual Report. Prior to the fourth quarter of 2010, a new assessment of the Tunisian entities' functional currency was made, as from October 1st onwards resulted in a change from the TND to USD.

Following is a compilation of operating segments per geographical 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 Tunisia

West Africa: PA Energy Congo Ltd, PA Resources Congo SA, Osborne Resources Ltd

North Sea: PA Resources UK Ltd, PA Resources Denmark ApS, PA Resources Arctic ApS, PA Resources Greenland ApS, PA Resources Nuna ApS

Other: PA Resources AB, Microdrill AB

The reportable operating segments are accounted for according to the same accounting policies as for the Group. The reportable 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 way.

Externally reported revenue for all operating segments except for "Other" pertains to sales of oil and services related to exploration and production of oil and gas. Internally reported revenue for all operating segments pertains to further invoiced expenses related to services provided for geology, seismology and exploration. Market conditions in accordance with arm's length are applied for transactions between operating segments.

Group management (the CODM) follows up the profit or loss measure "profit before tax". Financial revenue and expenses are reported gross for the tables below but net in the income statement.

January-December 2010

SEK 000s	North Africa	West Africa	North Sea	Other	Group & eliminations	Total
Income statement						
Revenue, external	1,009,790	1,209,259	7,320	363		2,226,732
Revenue, internal	-	-	-	26,314	-26,314	0
Depreciation, amortisation and impairment losses	-582,636	-189,050	-13,373	-193		-785,252
Operating profit/loss	73,752	462,137	-24,128	4,977	-26,314	490,424
Financial income	406,613	24,143	1,356	1,684,355	-1,654,638	461,829
Financial expenses	-373,689	-227,898	-56,925	-1,963,835	1,849,375	-772,972
Profit/loss before tax	106,676	258,382	-79,697	-300,817	194,737	179,281
Income tax revenues						295,688
Income tax expenses						-791,356
Profit for the period						-316,387

January-December 2009

SEK 000s	North Africa	West Africa	North Sea	Other	Group & eliminations	Total
Income statement						
Revenue, external	1,700,517	411,904	-	420		2,112,841
Revenue, internal	-	-	-	19,614	-19,614	0
Depreciation, amortisation and impairment losses	-776,035	-39,367	-80,680	-194		-896,276
Operating profit/loss	439,863	140,482	-89,422	-46,281	-15,041	429,601
Financial income	348,081	32,539	14,144	1,235,385	-1,057,437	572,712
Financial expenses	-385,090	-126,170	-38,923	-1,387,648	1,253,062	-684,769
Profit/loss before tax	402,852	46,851	-114,201	-198,542	180,584	317,544
Income tax revenues						125,996
Income tax expenses						-430,649
Profit for the period						12,891

31 December 2010

SEK 000s	North Africa	West Africa	North Sea	Other	Group & eliminations	Total
Balance sheet						
Assets						
Non-current assets	6,104,561	5,320,354	402,158	6,132,314	-9,007,047	8,952,340
Current assets, external	282,443	541,397	28,125	1,093,747		1,945,712
Current assets, internal	-	-	-	-		0
Liabilities						
Non-current liabilities	1,951,223	5,846,446	523,908	4,291,695	-9,007,047	3,606,225
Current liabilities, external	460,124	276,393	18,574	1,286,746		2,041,837
Current liabilities, internal	-	-	-	-		0
Investments in property, plant and equipment (gross amounts)	179,410	1,132,185	501	54		1,312,150
Investments in intangible assets (gross amounts)	-	162,910	110,279	-		273,189

31 December 2009

SEK 000s	North Africa	West Africa	North Sea	Other	Group & eliminations	Total
Balance sheet						
Assets						
Non-current assets	6,814,470	3,480,552	350,114	4,677,210	-6,180,187	9,142,159
Current assets, external	292,578	562,099	15,849	110,080		980,606
Current assets, internal	7,828	-	-	-	-7,828	0
Liabilities						
Non-current liabilities	2,116,344	3,955,830	399,617	3,331,929	-6,180,187	3,623,533
Current liabilities, external	486,138	195,603	7,695	1,171,972		1,861,408
Current liabilities, internal	7,828	-	-	-	-7,828	0
Investments in property, plant and equipment (gross amounts)	525,592	634,932	179	127		1,160,830
Investments in intangible assets (gross amounts)	-	677,653	126,068	-		803,721

Assets that are included in the statements refer to all assets. The column "Group & eliminations" includes, in addition to elimination of Group transactions between the operating segments, reclassification of exchange differences pertaining to operations.

The Group's customers consist of a small number of major international oil and trading companies. Information on external revenue pertaining to the region where the operating segments are registered and outside the region is shown below. The table also shows revenue from individual external customers, where the revenue amounts to 10% or more compared with total external revenue for the Group.

January-December 2010

SEK 000s	North Africa	West Africa	North Sea	Other	Total Group
Revenues from external customers within the region	301,080	1,209,259	7,320	363	1,518,022
Revenues from external customers outside the region	708,710	-	-	-	708,710
Total revenues, external	1,009,790	1,209,259	7,320	363	2,226,732
Revenues from external customers exceeding 10% of total Group revenue					
Customer 1	249,217	-	-	-	249,217
Customer 2	483,326	-	-	-	483,326
Customer 3	-	1,209,259	-	-	1,209,259
% share of revenue from external customers exceeding 10% of total Group revenue:					
Customer 1	11%	-	-	-	11%
Customer 2	22%	-	-	-	22%
Customer 3	-	54%	-	-	54%

Customers 1 and 2 refer to Tunisia. Customer 3 refers to the Republic of Congo.

Note 6. Financial income and expenses during the period

Exchange gains and losses are reported net in the income statement for the Group and parent company.

SEK 000s	Jan.-Dec. 2010	Jan.-Dec. 2009
Interest income	46,067	82,857
Exchange gains	33,437	46,049
Other financial items	103,386	141,069
Total financial income (net)	182,890	269,975

SEK 000s	Jan.-Dec. 2010	Jan.-Dec. 2009
Interest expense	-299,797	-152,547
Exchange losses	0	0
Other financial items	-194,236	-229,485
Total financial expenses (net)	-494,033	-382,032

Exchange gains/losses are broken down as follows:

Exchange gains arising from bank equivalents (gross)	49,560	109,848
Exchange gains arising from borrowings (gross)	262,816	238,938
Exchange losses arising from bank equivalents (gross)	-67,968	-56,717
Exchange losses arising from borrowings (gross)	-210,971	-246,020
Total exchange gains (+) / losses (-) (net)	33,437	46,049

Parent company - SEK 000s	Jan.-Dec. 2010	Jan.-Dec. 2009
Interest income	324,226	417,299
Exchange gains	0	0
Other financial items	103,386	140,924
Total financial income (net)	427,612	558,223

SEK 000s	Jan.-Dec. 2010	Jan.-Dec. 2009
Interest expense	-380,274	-370,909
Exchange losses	-174,537	-136,760
Other financial items	-152,281	-202,817
Total financial expenses (net)	-707,092	-710,486

Exchange gains/losses are broken down as follows:

Exchange gains arising from bank equivalents (gross)	24,800	97,062
Exchange gains arising from borrowings (gross)	1,231,943	580,100
Exchange losses arising from bank equivalents (gross)	-40,637	-46,422
Exchange losses arising from borrowings (gross)	-1,390,643	-767,500
Total exchange gains (+) / losses (-) (net)	-174,537	-136,760

Note 7. Income tax

Reported tax for the period January–December 2010 amounted to SEK -495.7 million, net, and pertains to income tax charges and deferred tax attributable to interests in oilfields in Tunisia and Tax Oil in the Republic of Congo. The reported tax leads to a higher effective tax charge than profit before tax, however, the underlying tax rates are unchanged. In addition, the high effective tax rate is attributable to unrecognised tax-loss carryforwards in both the parent company and other Group companies. The parent company's accounts include a deferred tax asset of SEK 10.1 million attributable to deferred tax on convertible bonds.

Note 8. Reporting of financial instruments

PA Resources' oil and gas assets are valued in USD and generate revenue in USD. The Group conducts various hedging activities on the interest-bearing liability to match the corresponding foreign exchange risk associated with the assets. Through this, the Group has entered into currency and interest rate swap agreements to match the currency exposure in the Group's listed bond issues. A combination of the bond issues with the currency and interest rate swap agreements provides risk exposure that corresponds to USD-denominated loans. The currency and interest rate swap agreements are carried at market value as per 31 December 2010, resulting in an unrealised net loss of SEK -8.3 million.

Note 9. Convertible bond

The parent company issued, after final settlement on 14 January 2009, a total of 72,757,002 convertibles, corresponding to a nominal amount of SEK 1,164.1 million. The convertibles carry interest at an annual nominal rate of 11% from 15 January 2009. Interest is paid to holders on 15 January each year, starting on 15 January 2010 and the last time on 15 January 2014. The convertibles fall due for payment of the nominal amount on 15 January 2014 unless conversion or repayment has occurred prior to this date. Conversion to shares may be done during the period 1 – 30 September of each year. The convertible debenture is defined as a Compound Financial Instrument, which entails a split classification between financial liability and equity. PA Resources has calculated the present value of the convertibles' future cash flows as per the issue date, which has led to an initial allocation between equity and non-current liabilities of SEK 209.1 million and SEK 880.2 million, respectively, after deducting transaction costs. The conversion price for PA Resources outstanding convertible bonds has been recalculated from SEK 16 to SEK 8.52 per share due to the rights issue that was completed in June 2010.

In September 2010, 5,705 convertibles were converted to stock. A total of 11,245,683 convertibles corresponding to a nominal value of SEK 179.9 million have been converted to stock, which increased shareholders' equity by SEK 140.1 million, of which the share capital by SEK 5.6 million. This has also decreased the nominal liability amount by SEK 179.9 million.

Note 10. Provisions

Accounting for share warrants:

Outstanding share warrants resulted in a cost of SEK 302 thousand for the period January–December 2010. Total social security costs calculated on outstanding share warrants amounted to SEK 0 thousand as per 31 December 2010. This amount was previously reported on the balance sheet as provisions among non-current liabilities.

The number of shares outstanding at the end of the period and before full exercise of granted share warrants is 637,475,843.

Asset Retirement Obligation (ARO):

For parts of oilfields where the Group has an obligation to contribute to asset retirement costs for environmental restoration, dismantling, cleaning and similar actions around the drilling areas both onshore and offshore, a provision corresponding to future calculated obligations is recorded. An obligation arises either at the time an oilfield is acquired or when the Group starts to utilise these, and an asset is recorded as part of the Group's total oil and gas assets.

The Asset Retirement Obligation is accounted for as a provision based on the present value of costs that are judged to be required to fulfil the obligation, using the estimated cash flows. The discount rate used takes into account the time value of money and the risk specifically associated with the liability, assessed by the market. The Group's estimated provision amounted to SEK 391.0 million as per 31 December 2010. PA Resources uses the Full Cost Method, which entails that the corresponding amount for the provision is capitalised as an asset and amortised. Total assets pertaining to Asset Retirement Obligation costs amounted to SEK 194.7 million as per 31 December 2010. Future changes in provisions due to the time value of money are accounted for as a financial expense, and estimated changes are capitalised or reversed against the corresponding assets.

Note 11. Related party transactions

PA Resources AB has made a provision for a cost of SEK 4.7 million pertaining to 12 months' post-employment remuneration for the Group and parent company's former CEO, whose employment ended in connection with the Annual General Meeting on 18 May 2010. The cost is reported within total personnel expenses in the income statement and affected earnings in its entirety during the second quarter of 2010. Fees of SEK 207 thousand have been paid to a board member for work performed in connection with the Company's rights issue. This also affected earnings in its entirety for the second quarter of 2010. In addition, the Chairman of the Board and board members have received remuneration in the form of customary directors' fees approved by the Annual General Meeting.

Note 12. Pledged assets and contingent liabilities

As per 31 December 2010, total pledged assets amounted to SEK 2,180 million in the Group and SEK 2,123 million in the parent company. Total contingent liabilities amounted to SEK 14 million for both the Group and the parent company. Compared with 30 September 2010, total pledged assets increased by SEK 49 million, net, for the Group. Pledged security in oilfields in the Republic of Congo has decreased at the same time that security in Cash deposit currency exchange increased. In addition, pledged security in oilfields in the Republic of Congo and Tunisia has been adjusted for currency movements, which has led to a total net increase. For

the parent company, total pledged assets decreased by SEK 3 million, net, during the most recent quarter, which is attributable to lower guarantee commitments for intra-Group loans. In addition, an adjustment has been made for currency movements with respect to guarantee commitments for intra-Group loans and security in the form of pledged shares in Didon Tunisia Pty Ltd.

Total contingent liabilities for the Group and parent company are unchanged compared with 30 September 2010. Total pledged assets and contingent liabilities for both the Group and parent company as per 31 December 2010 compared with 31 December 2009 are shown in the following table.

	Group		Parent company	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
Pledged assets - SEK 000s				
<i>Pledged assets are broken down as follows:</i>				
Security in the form of shares in oilfields in the Republic of Congo	898,610	901,563	-	-
Guarantee commitment for Group loan obligations	-	-	898,610	901,563
Security in the form of shares in oilfields in Tunisia	1,224,450	1,442,500	-	-
Security in the form of pledged shares in Didon Tunisia Pty Ltd	-	-	1,224,450	1,442,500
Oil inventory attributable to payment of royalties in kind	17,115	14,131	-	-
Cash deposit currency exchange	39,455	-	-	-
Total pledged assets	2,179,630	2,358,194	2,123,060	2,344,063
	Group		Parent company	
	31 Dec. 2010	31 Dec. 2009	31 Dec. 2010	31 Dec. 2009
Contingent liabilities - SEK 000s				
<i>Contingent liabilities are broken down as follows:</i>				
Contingent liabilities attributable to the acquisition of PA Energy Congo Ltd	14,000	14,000	14,000	14,000
Total contingent liabilities	14,000	14,000	14,000	14,000

Note 13. Events after the end of the reporting period

"Jasmine revolution" in Tunisia

At the end of 2010, political unrest took place in Tunisia through street protests and clashes, and the situation intensified in early 2011. To date, PA Resources' production facilities have not been affected by this unrest to any material extent, and planned liftings could be carried out. Operations are continuing without major disruptions, with continued focus on employee safety.

Development of Alen field approved

A plan of development for the Alen field offshore Equatorial Guinea has been approved by the authorities in the country. The reservoir lies primarily in Block O, where the original discovery was made, and extends in to the northern part of Block I, where PA Resources has a 5.7% interest. The Alen field will be using storage capacity and other facilities on the Aseng field's FPSO, entailing that the costs will be shared between the two fields. The joint cost savings will generate significant economic value for PA Resources. Assuming regulatory approval is granted, unitisation of the reserves will be made for the Alen field, where 95% will be allocated to Block O and 5% to Block I. After the development drilling has been completed, there will be an opportunity to make a new determination of the allocation between the two licences. Alen is expected to bear 33%–50% of the relevant costs.

New licence awarded offshore Germany

PA Resources has been awarded a 100% ownership interest in the Germany licence B20008-73. The licence took effect on 1 January 2011 and is lies in the "Duck's bill" (*Entenschnabel*) area of the German North Sea between Denmark and the Netherlands. During the first half of 2011 PA Resources will drill two wells in the Danish licence 12/06, which is immediately adjacent to the new licence with similar exploration targets. These two wells will form important, modern data points to allow an up-to-date evaluation of the prospectivity of the German licence.

Delisting from Oslo Stock Exchange

On 31 January 2011, PA Resources' share and convertible bond were delisted from the Oslo Stock Exchange, and the share obtained a primary listing on the NASDAQ OMX Nordic Exchange in Stockholm. Applications for delisting in Oslo and for the primary listing in Stockholm were filed during the autumn and were granted in December 2010. The reasons for this change were very low trading volume on the Oslo Stock Exchange and very high liquidity on the Stockholm exchange.

Reserves and resources 2010

Development of reserves in 2010	Working Interest		Net Entitlement	
	Total		Total	
	1P/P90*	2P/P50*	1P/P90	2P/P50
<i>(Million barrels of oil equivalents)</i>				
Reserves as of 31.12.2009	51.8	78.9	31.5	48.2
Production	-3.9	-3.9	-2.4	-2.4
New developments	2.1	2.9	1.4	2.0
Revisions	-4.0	-5.4	0.8	2.0
Reserves as of 31.12.2010	46.0	72.5	31.3	49.8

* 1P is equivalent to a P90 estimate. 2P is equivalent to a P50 estimate and is the sum of Proved plus Probable Reserves and denotes best estimate scenario of reserves.

As of 31 December 2010, PA Resources has 72.5 million barrels (78.9) of oil equivalents of proved and probable (2P) oil and gas reserves based on working interest. This is equivalent to 49.8 million barrels (48.2) of oil equivalents of proved and probable (2P) oil and gas reserves based on a net entitlement interest. Working interest is PA Resources' gross volume of the total fields' reserves before any reduction whereas net entitlement interest is PA Resources' net volume after deduction of royalties and tax. Net entitlement barrels are, in effect, post tax barrels received by PA Resources reflecting the terms of production sharing contracts in West Africa and the impact of tax and royalty in Tunisia*¹. Contingent and prospective resources continue to be shown on a working interest basis only.

The 2P reserves decrease is primarily due to a revision of the reserves for the Azurite Field based on Ryder Scott's year end review initiated by the operator Murphy. This shall be seen in line with PA Resources' earlier announcement regarding field under-performance. This downward revision of the Azurite Field reserves on a working interest basis is however offset on a net entitlement basis by new fiscal terms applicable to Azurite Field which has been approved by the Council of Ministers in the Republic of Congo and where the Parliament's approval process is ongoing.

The Group reserves are 100% liquids (oil or condensate) and consist of the volumes at Tunisian fields (Didon, Didon North, Douleb, Semmama, Tamesmida, El Bibane, Ezzaouia and Zarat), at the Azurite Field in the Republic of Congo, and at the Aseng and Alen Fields in Equatorial Guinea.

PA Resources reserves are classified according to the 2007 guidelines and classification *Petroleum Resources Management System* (SPE-PRMS 2007) which is the standard of the Society of Petroleum Engineers (SPE), World Petroleum Congress (WPC), American Association of Petroleum Geologists (AAPG) and Society of Petroleum Evaluation Engineers (SPEE).

In accordance with PA Resources policy, all significant reserves have been either audited by independent reserve auditors*² or reviewed by competent consultants where new data have not yet been fully evaluated to allow an independent audit at year end (Zarat Field in Tunisia, Aseng Field in Equatorial Guinea). Smaller fields' reserves have been based on internal or operator estimates. All reserves were calculated using a Brent oil price of USD 85 per barrel (January 1st 2011) escalated at ca. 2.5 percent per annum, with adjustments for the actual historic pricing realised relative to the Brent reference price.

Reserves distribution at 31 December 2010	Working Interest		Net Entitlement	
	Total		Total	
	1P/P90	2P/P50	1P/P90	2P/P50
<i>(Million barrels of oil equivalents)</i>				
On production	9.7	17.7	7.6	13.9
Approved for development	4.9	10.7	3.3	7.3
Justified for development	31.4	44.1	20.4	28.7
Total reserves	46.0	72.5	31.3	49.8

*¹ Net entitlement interest is based on external audit computed information when available completed by internal estimate. Net entitlement is a function, among others of oil price, investments level and production.

*² The Azurite Field has been audited by Ryder Scott Company, L. P., (Ryder Scott) on behalf of the Operator and PA Resources. The Didon and Didon North Fields have been audited by Mc Daniel and Associates Consultants Limited.

The main reasons for the changes in reserves in 2010 are as follows:

Production:

- PA Resources working interest production during the year was 3.9 million barrels of oil, which has reduced the reserves by a corresponding amount. The production comes from the Azurite Field in the Republic of Congo and from six fields including Didon in Tunisia.

New developments:

- PA Resources has two new development projects commenced in 2010. These are the Didon North development in Tunisia and the Alen Field liquids development in Equatorial Guinea.

Revisions:

- Following a review of the Azurite Field by Ryder Scott, the 2P reserves were reduced by 11.5 million barrels of oil equivalent on a working interest. With the benefit of new fiscal terms, the reduction is 1.9 million barrels of oil equivalent on a net entitlement basis.
- Reserves at Douleb and Semmama Fields onshore Tunisia have been revised slightly upwards.
- Zarat Field reserves are maintained after review by third party. In 2010, after further conceptual engineering and subsurface work on the Zarat Field and the successful drilling of an appraisal well by the operator in the northern part of the Zarat Field located in the neighbouring “7th November” block, the development of the Zarat Field has been given priority.
- The acquisition in 2010 of 3D data by PA Resources has demonstrated that the Elyssa Field requires additional appraisal drilling. As a result, the liquid reserves associated with Elyssa Field have been re-allocated to Contingent Resources. There is no change to the allocation of gas volumes in the Elyssa and Zarat field as Contingent Resources.
- All undeveloped Zarat fields are shown on a 100% working interest basis which represents PA Resources’ current paying interest and working interest. These were previously reported assuming that the state owned company ETAP elects to invest up to its maximum 55% optional interest. The impact of this adjustment with the re-allocation of Elyssa into Contingent Resources is +3.8 and +5.2 million barrels of oil equivalent respectively for 1P and 2P working interest reserves.

PA Resources has in addition to its reserves, in accordance with the SPE-PRMS 2007 guidelines, further volumes classified in Contingent Resources (140.6 million barrels of oil equivalent) and in Risked Prospective Resources (297.2 million barrels of oil equivalent). These Contingent and Prospective Resources have been reviewed and, where appropriate, revised according to newly available information. This review has been performed either by PA Resources, by the operator of a licence, or by external consultants.

Resources to Reserves at 31 December 2010*

<i>Million barrels of oil equivalents</i>	Total
2P Reserves	72.5
Contingent resources	140.6
Risked prospective resources**	297.2

* PA Resources’ working interest share of the total reserves and resources.

** Resources in prospects considered viable to drill as well as resources in leads.