

# Corporate governance report 2009

PA Resources AB is a Swedish public limited company listed on the Oslo Stock Exchange since 1997 and on the NASDAQ OMX Nordic Exchange in Stockholm since 2006. PA Resources is governed in accordance with the company's Articles of Association, the Swedish Companies Act and stock exchange regulations. The company has applied the Swedish Code of Corporate Governance (the Code) since its listing on NASDAQ OMX.

This corporate governance report has been prepared in accordance with the Swedish Code of Corporate Governance (the Code) with a view to describing how the company applied the Code in 2009. The report does not form part of the formal Annual Report documents and has not been reviewed by the company's auditors.

## Deviation from the Code

PA Resources deviates from the Code in the following respect, for the reasons given below:

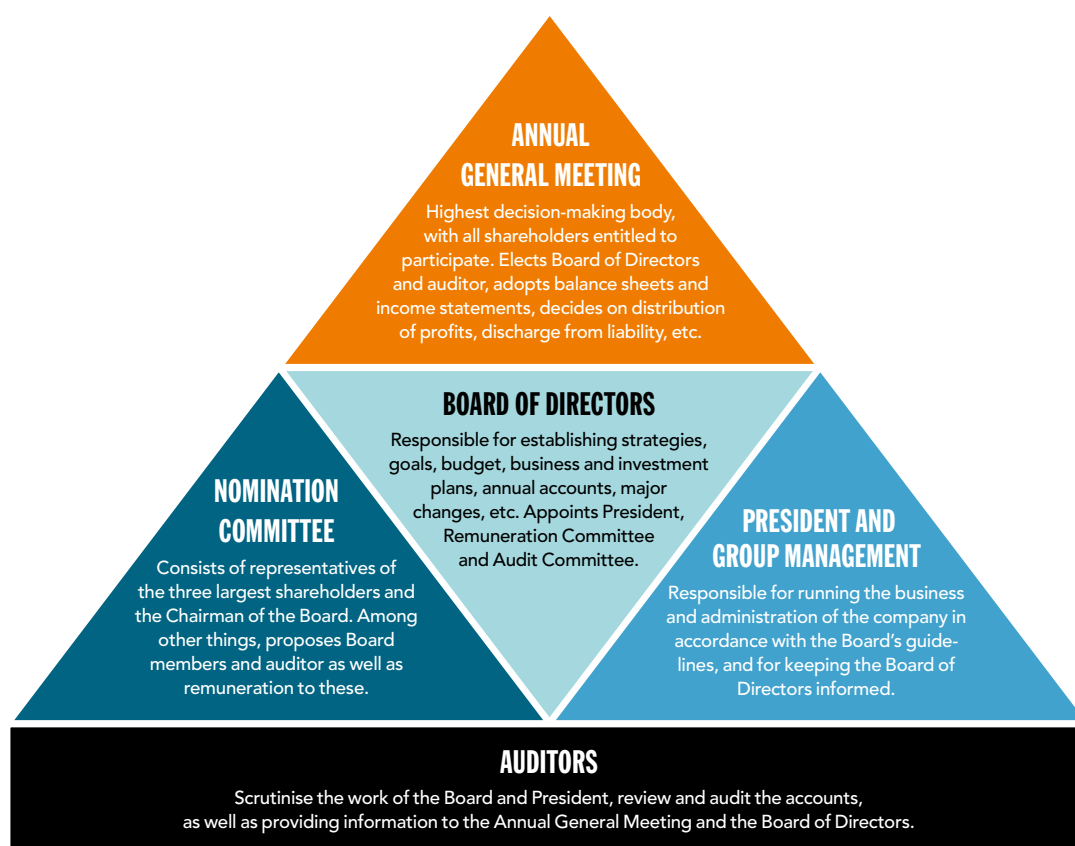
DEVIATION FROM	EXPLANATION/REASONS
2.5 Announcement of the members of the Nomination Committee at least six months ahead of the Annual General Meeting, i.e. by 18 November 2009.	The deviation is due to the fact that the Board of Directors was not informed until 17 December 2009 of the persons appointed by the company's three largest shareholders as their representatives on the Nomination Committee. The composition of the Nomination Committee therefore could not be announced until 17 December 2009, which is five months in advance of the AGM.

## CORPORATE GOVERNANCE WITHIN PA RESOURCES

The governance, management and control of PA Resources is divided between the shareholders at the Annual General Meeting, the Board of Directors, the President and other members of the Group management in accordance with the Swedish Companies Act, the Code and the Articles of Association.

### Articles of Association

The name of the company is PA Resources AB and the company is public (publ). The Board of Directors is domiciled in Stockholm. According to the Articles of Association, PA Resources shall conduct exploration operations, extract oil and gas and own and manage licences, shares and participations in companies that conduct exploration and extraction operations through subsidiaries or cooperation with others. The Articles of Association also contain details of the share capital, number of Board members and auditors, as well as stipulations regarding the notification and agenda of the Annual General Meeting. They are available in full on the company's website [www.paresources.se](http://www.paresources.se).



### Annual General Meeting

The highest body of PA Resources is the Annual General Meeting, at which all shareholders are entitled to participate either personally or by proxy. The Annual General Meeting elects the company's Board of Directors and the Chairman of the Board, adopts the balance sheets and income statements of the Parent Company and the Group, decides on the distribution of profits and decides on discharge from liability for the members of the Board and the President. The Annual General Meeting also elects the company's auditors, normally for a four-year period of office. Furthermore, the Annual General Meeting passes resolutions regarding Board fees and approves the principles of remuneration and other terms of employment for the Group Management.

As a general rule, every shareholder is entitled to vote for all of his/her shares at the Annual General Meeting. The Annual General Meeting's resolutions are passed by a simple majority of the votes cast. However, to protect the smaller shareholders, certain resolutions must be passed with a qualified majority of the votes cast and the shares represented at the Meeting. In addition, as a general protection rule for minority shareholders the Annual General Meeting may not pass resolutions that could result in an undue advantage for a certain shareholder or which is to the detriment of the company or another shareholder.

### Annual General Meeting 2010

The next Annual General Meeting of shareholders in PA Resources will be held on 18 May 2010 in Stockholm. Notification of this Annual General Meeting will be made in accordance with the stipulations of the Articles of Association and will follow the requirements stipulated by the Code. See page 75 for more information on the 2010 Annual General Meeting.

#### NOMINATION COMMITTEE FOR THE 2010 ANNUAL GENERAL MEETING

Member	Number of shares represented*
Mathias Berggren, Chairman of the Nomination Committee, appointed by shareholder Ulrik Jansson (including controlled companies)	8,512,512
Niklas Adler, appointed by shareholder Bertil Lindqvist	9,305,882
Anders Algotsson, appointed by shareholder AFA Försäkring	3,781,197
Sven Rasmusson, Chairman of the Board	

\* As of 30 September 2009

### Nomination Committee

The 2009 Annual General Meeting resolved to establish a Nomination Committee ahead of the 2010 Annual General Meeting, the tasks of which include preparing proposals for the number of Board members, election of Board members including the Chairman of the Board and remuneration to the Board members. The Nomination Committee is formed by the Chairman of the Board contacting, at the end of the third quarter, the three largest shareholders as of 30 September 2009 and asking them to each appoint a member of the Nomination Committee.

The Nomination Committee held 2 meetings at which minutes were taken. Among other things, the Nomination Committee assessed whether the present Board meets the requirements that will be imposed on the Board as a result of PA Resources' situation and future emphasis, for example by studying the completed evaluation of the Board's work. The Nomination Committee's proposals for Board members, Board fees, the Chairman of the Board, etc. will be presented in good time prior to the 2010 Annual General Meeting on [www.paresources.se](http://www.paresources.se).

#### ANNUAL GENERAL MEETING 2009

A total of 81 shareholders were represented at the Annual General Meeting held on 13 May 2009, representing approximately 22.75 percent of the total number of shares issued. Among other things, the Meeting resolved:

- to adopt the balance sheets and income statements of the company and the Group for 2008 and to grant the Board and the President discharge from liability for the management of 2008;
- not to distribute a dividend to shareholders;
- to re-elect Sven Rasmusson, Catharina Nystedt-Ringborg and Lars Olof Nilsson to the Board, to elect Paul Waern och Hans Kristian Rød to the Board and to elect Sven Rasmusson as Chairman of the Board;
- that the Board should receive fixed fees totalling SEK 1,650,000 to be divided as follows: SEK 550,000 to the Chairman and SEK 275,000 to each of the other Board directors;
- to re-elect Ernst & Young AB as the company's auditor, with the Authorised Public Accountant Jaan Kubja as auditor in charge;
- to adopt guidelines for remuneration paid to senior executives;
- to adapt the rules in the company's Articles of Association concerning the manner in which the Annual General Meeting is notified to the new rules that are expected to take effect in 2010;
- to authorise the Board to decide on the issue of shares, convertible bonds and/or warrants.

Read more in the full minutes of the Annual General Meeting on the company's website [www.paresources.se](http://www.paresources.se).

### Board of Directors

#### Responsibilities of the Board

In accordance with the Swedish Companies Act and the Board's work plan, the Board is responsible for establishing overriding long-term strategies and goals, for setting budgets and business plans, for review and approval of the accounts and for making decisions in matters concerning investments and significant changes to PA Resources' organisation and operations. The Board of Directors also appoints the President and determines the salary and other benefits for the company's President.

#### Composition of the Board

Under the Articles of Association, PA Resources' Board of Directors shall consist of a minimum of three and a maximum of eight members with a maximum of eight deputies. During 2009 the Board consisted of the following five regular members (no deputies):

- Sven Rasmusson, Chairman of the Board
- Lars Olof Nilsson
- Catharina Nystedt-Ringborg
- Hans Kristian Rød
- Paul Waern

Since the 2009 Annual General Meeting the President is no longer a member of the Board of Directors, but attends meetings to give presentations. The lawyer Ulrika Magnusson of Ulrika Magnusson Advokat AB was appointed as Board secretary. Executive Vice President Bo Askvik and other executives in the company attend Board meetings to present reports as needed.

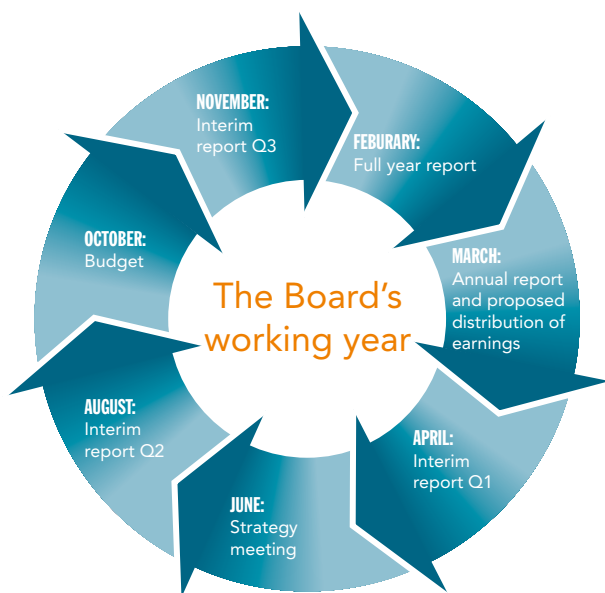
PA Resources complies with the rules of the NASDAQ OMX Nordic Exchange and the requirement in the Code that a majority of the Board members elected by the Annual General Meeting are independent of the company and the company management and that at least two of these are also independent of the company's major shareholders. For more information about the Board of Directors, their shareholdings, independence and attendance at Board meetings refer to page 28.

#### *The Board's formal work plan*

The work of the Board of Directors is governed by an annual work plan that regulates the Board's internal division of work, the decision-making structure of the company, the authorised company signatories, the Board's meeting schedule and the duties of the Chairman of the Board. As a general principle, the Board's work follows a fixed procedure devoted to satisfying the Board's need for information and ensuring an appropriate division of work between the Board and the President. The Board has established special instructions for the President of the company that form part of the Board's work plan. The Board supervises the President's work and is responsible for ensuring that the company's organisation, management and guidelines for management of the company's funds are appropriately structured. Furthermore, the Board is responsible for the development and follow-up of the company's strategies through plans and targets, decisions regarding business acquisitions and divestments, major investments, management appointments and remuneration, and continuous follow-up of the business during the year.

#### *Chairman of the Board*

Among other things, the Chairman of the Board is responsible for the Board members continuously receiving the information necessary to be able to monitor the company's position, performance, liquidity, financial planning and development, for checking that the Board's decisions are executed in an effective



manner and for ensuring that the Board's work is evaluated annually. Furthermore, the Chairman is obliged to perform tasks set by the Annual General Meeting regarding the establishment of a Nomination Committee and to participate in its work.

#### *The work of the Board of Directors in 2009*

During the 2009 financial year PA Resources' Board of Directors held 20 meetings, of which one was the statutory Board meeting. Several meetings were held by telephone. The work plan states that the Board shall hold a minimum of six ordinary Board meetings per calendar year. The ordinary Board meetings follow an established agenda which includes a report from the President, financial reports, investments, financing matters, acquisition matters and strategic issues. Important issues discussed during the 2009 financial year included production and development matters, capitalisation and financing matters, pricing matters and the Group's future organisation and structure.

The annual evaluation of the Board and its work was performed by an independent consultancy engaged for the purpose. The evaluation covered such factors as working climate, work methods, composition, competencies and internal communication.

#### **Remuneration and Audit Committees**

The Remuneration Committee shall primarily deal with matters relating to remuneration and incentive schemes for the President and other senior executives. The duties of the Audit Committee are specifically monitoring and follow-up of issues concerning the company's internal control, accounting principles, risk management, financial reporting and audit. In addition, the Audit Committee shall prepare matters relating to the election of auditors and remuneration to the auditors, and ensure an independent expert audit of the company.

In 2009 both the Remuneration Committee and the Audit Committee comprised all the members of the Board. No separate meetings of these committees were therefore held. Instead, these matters were dealt with by the whole Board at the Board meetings.

#### **Group Management**

In 2009 PA Resources' Group Management comprised the company's President Ulrik Jansson and Executive Vice President Bo Askvik. The members of the Group Management are presented in more detail on page 29 of the Annual Report.

#### **President**

The company's President is responsible for the company's operational management, managing the business in accordance with the Board's guidelines and instructions, and for the Board receiving information and requisite decision documentation concerning the company's and the Group's position, results, liquidity and development. The President gives presentations to the Board meetings.

#### **Auditors**

PA Resources' auditors are elected by the Annual General Meeting for a period of four years. The current period began in 2009 and the next election of auditors will consequently take place at the 2013 Annual General Meeting. The company's auditing firm is Ernst & Young AB and the auditor in charge is authorised public accountant Jaan Kubja. Jaan Kubja has been the company's

auditor since 2005, having previously been deputy auditor since 1999, and consequently has a particularly good knowledge of the company, the Group and its operations.

#### Remuneration

A total sum of SEK 1,650,000 is to be paid as fees to the Board of Directors, as resolved by the Annual General Meeting 2009. Of this, the Chairman of the Board shall receive SEK 550,000 and each of the other Board members SEK 275,000. The members are appointed for the period up to the end of the 2010 Annual General Meeting and the fees refer to this period. For more information on remuneration paid to the Board and senior executives refer to the administration report and to Note 8, *Remuneration and other benefits: Board of Directors and senior executives*.

## INTERNAL CONTROL

Under the Swedish Companies Act and the Code, internal control is the responsibility of the Board of Directors. The following report regarding internal control and risk management relating to financial reporting was prepared in accordance with the Code and the guidelines of FAR SRS (the professional institute for the accountancy profession in Sweden) and the Confederation of Swedish Enterprise.

PA Resources is a decentralised organisation with 131 employees in the Group, nine of which were employed in the Parent Company as of 31 December 2009. The division of responsibility within the Group has been clearly established and the Group has built-in controls; consequently, there is deemed to be no need for a separate internal audit function. Internal control and performance monitoring occur at various levels within the Group, including at subsidiary level and at Group level.

#### Control environment

Internal control covers all companies within PA Resources and includes control of the accuracy and reliability of reporting, the promotion of efficiency and ensuring that given procedures and policies are complied with.

PA Resources has established policies and routines, such as the formal work plan for the Board, instructions for the President, instructions for financial reporting and authorisation rules. Rules are also in place for decision-making with regard to costs, investments, customer contracts, etc.

Reporting instructions exist to support relevant reporting that follows the organisation's structure. All subsidiaries report quarterly – both legal and operational reporting – in accordance with a standardised reporting procedure. Each company consolidates its units and reports to PA Resources AB. This reporting forms the basis for the Group's consolidated reporting. PA Resources' accounting guidelines and principles follow IFRS, which ensures uniform and stringent financial reporting.

A personnel policy is in place which shall ensure that the necessary measures are undertaken to ensure that the employees have the expertise required for their respective positions. Procedures and templates for employment, training, evaluation and promotion as well as remuneration and job descriptions are defined and documented.

#### Risk assessment

PA Resources is exposed to a number of different risks, both externally and internally. Risk management and risk assessment are based on identifying and analysing the company's risks. Risk management forms part of the planning process, in order to ensure that the results of this are taken into account in business plans, objectives and measures. Overall risk assessments are continuously carried out and where appropriate lead to specific measures to manage existing risks. Read more about PA Resources' risks and risk management on pages 16-17 and in Note 31, *Financial risks*.

#### Control activities

Control activities comprise routines and procedures that ensure that the management directives are executed and set control targets are achieved to manage significant risks. Control activities are carried out throughout the organisation, at all levels and in all functions. The activities include approval, the granting of permission, verification, reconciliation, performance follow-up and the division of tasks. Furthermore, all subsidiaries have an independent financial and accounting organisation, which ensures inter alia that control procedures are followed, that the Group's guidelines, handbooks and policies are complied with and that the financial reports are accurate, complete and delivered on time.

#### Information and communication

Appropriate information and communication are essential if internal control systems are to be able to function well. PA Resources has communication paths to help employees carry out their duties as effectively as possible. The relevant employees in the Group have access to current policies, instructions, guidelines, handbooks, etc. Information systems supply reports that improve opportunities to conduct and control operations.

#### Follow-up

Follow-up is an integral part of operating activities. Supervision forms part of the management's and the individual managers' ordinary work activities and the activities that employees undertake when they carry out their work. Staff are required to report deficiencies in internal control to their line manager, and serious deficiencies to the President and the Board.

Financial reporting pertaining to interim reports and annual accounts as well as internal control are also quality assured by reviews conducted by the company's external auditors at both subsidiary and Group levels.

Stockholm, March 2010

PA Resources AB (publ.)  
*Board of Directors*

# Board of Directors and management

## BOARD OF DIRECTORS



### SVEN RASMUSSEN

Chairman of the Board  
Born 1953, Bachelor of Laws.  
Lawyer and partner in the law firm Rasmusson & Partners Advokat AB.

**Other board assignments:** Chairman of the Board of Projektbyrån i Stockholm AB and Steelwrist AB. Member of the boards of Rasmusson & Partners Advokat AB, Rupart Förvaltning AB, Ponderus Technology AB and Technology Nexus AB (publ).

**Previous experience:** Business lawyer and adviser to listed companies and their boards, among others. Lawyer and partner in the law firm Lindhs DLA Nordic.

Board member since May 2008  
Shareholding: 50,000 (including holdings through controlled companies)

Convertibles: 25,000 à SEK 16 (including through controlled companies)

Independent\*: Yes

Attendance at Board meetings: 20 out of 20

### CATHARINA NYSTEDT-RINGBORG

Born 1951. Bachelor of Economics, Master of Political Science, MBA International Business Management and interpreter training, Sorbonne.

Board work and consultant in the energy sector.

**Other board assignments:** Member of the boards of CN-R Affärsutveckling AB, Svenskt Pantlotteri AB and Antrepo AB.

**Previous experience:** Managing Director of Swedish Water Development AB, Senior Vice President of ABB Ltd and Fläkt AB as well as other positions at AGA Systeme Infrarouges SARL, the Government Offices of Sweden and the OECD.

Board member since May 2006  
Shareholding: 25,000

Convertibles: 12,500 à SEK 16

Independent\*: Yes

Attendance at Board meetings: 17 out of 20

### LARS OLOF NILSSON

Born 1962, MSc in Business and Economics.

Board work and consultant to Nordic Capital and Evli Bank.

**Other board assignments:** Chairman of the board of Kapstensbacken AB and member of the boards of BE Group AB, International Gold Exploration IGE AB, IGE Nordic AB, Lappland Goldminers AB, AGL Treasury Support AB and AGL Transaction Services AB.

**Previous experience:** Head of Group Treasury and Group Business Development at Treleborg AB.

Board member since May 2008

Shareholding: 2,000

Convertibles: 1,000 à SEK 16

Independent\*: Yes

Attendance at Board meetings: 20 out of 20

### PAUL WAERN

Born 1950, MSc in Mining.

Proprietor of consulting firm Petrotech AB.

**Previous experience:** 30 years' international experience in the oil and gas industry. Technical adviser to listed companies.

Board member since May 2009

Shareholding: 3,000

Convertibles: 0

Independent\*: Yes

Attendance at Board meetings: 12 out of 20\*\*

### HANS KRISTIAN RØD

Born 1953, Bachelor of Economics and Master of Business Administration (MBA).

Corporate representative of Fortum Corporation in Norway

**Other board assignments:** Member of the boards of Infratek ASA, North Energy ASA, Ishavskraft AS and Fredrikstad Energi AS.

**Previous experience:** President of Fortum Corporation Exploration & Production and President of Fortum Petroleum AS.

Board member since May 2009

Shareholding: 0

Convertibles: 0

Independent\*: Yes

Attendance at Board meetings: 12 out of 20\*\*

\* Independent denotes that under the Code, the member may be regarded as independent to the company, its management and to major shareholders in the company. Major shareholders are shareholders with a share ownership exceeding 10%.

\*\* Elected at the AGM on 13 May 2009

## GROUP MANAGEMENT

**ULRIK JANSSON**

President and CEO

Born 1954, Bachelor of Laws.  
President and CEO of PA Resources since 1996.

**Previous experience:** General Counsel for AGA AB and Uddeholms AB.

Shareholding: 8,512,512 through controlled companies

Convertibles: 1,562,500 à SEK 16

**BO ASKVIK**

Executive Vice President and CFO

Born 1958, MSc in Business and Economics, employed since 2007.

**Previous experience:** CFO at Sanitec Corp, Intrum Justitia AB and SAPA and other positions at Borealis Coordination Centre, Neste Sverige AB, Östgöta Enskilda Bank and Nordstjernan AB.

Shareholding: 25,000

Stock options: 150,000

Convertibles: 12,500 @ SEK 16

## REGIONAL MANAGEMENT

## NORTH AFRICA

**MOHAMED MESSAOUDI**

Managing Director, PA Resources Tunisia  
Born 1952, MSc in Engineering and MBA, employed since 2007

**Previous experience:** Senior international positions with Storm Ventures, Nexen, MBC Consulting, Shell, Petroleum Development of Oman and Elf.

## WEST AFRICA

**HANS RYCKBORST**

Managing Director, PA Resources Congo  
Born 1942, PhD in Geological Engineering, employed since 2008

**Previous experience:** Reservoir Engineer in Canada and Gabon, senior international positions with GGPC Limited Gabon, Bowleven (GGPC), Tullow Oil, ATP Oil & Gas and Vanco Energy. Special adviser to the International Monetary Fund (IMF), the World Bank and the Government in Gabon.

## NORTH SEA

**GRAHAM GOFFEY**

Managing Director, PA Resources UK

Born 1964, MSc in Petroleum Geology and MBA, employed since January 2009

**Previous experience:** Senior international positions with Sterling Energy, Conoco, LASMO and Paladin Resources, including positions in the field of exploration.

## AUDITORS

**Regular auditor:**

Ernst & Young AB, Stockholm

**Jaan Kubja**

Auditor in Charge, authorised public accountant

Born 1960

Auditor of PA Resources since 2005.

Previously deputy auditor since 1999.

**Other auditing assignments:**

Svenska Statoil AB, Norsk Hydro Olje AB, International Gold Exploration IGE AB and IGE Nordic AB.

Member of FAR SRS.