Matra Petroleum AB

Annual Report 2017

Content

Matra in Brief

Matra Petroleum AB is an independent oil and gas exploration and production company with offices in Borger and Houston, Texas, U.S.A and Stockholm, Sweden. The Company was listed on NASDAQ First North in April 2017 and its majority shareholder is Rovelo Investment Ltd (62.7%) which is controlled by the CEO Maxim Barskiy. Matra owns and operates 130 leases in the Panhandle-area, located in northwestern Texas, covering an area of 38,140 acres (15,435 hectares). Matra has 21.0 million barrels of oil equivalent ("MMboe") of proven (1P) net reserves with about 440 identified drilling opportunities.

In 2018, Matra plans to drill 24 new wells to increase oil and gas production. In addition, an extensive program to improve oil and gas production from existing wells will be executed through workovers and reopening of shut-in wells. Matra is in the process of acquiring an additional 22 producing oil and gas leases in the Texas Panhandle region, which will add approximately 4 million barrels of oil equivalent in proven reserves The Company's long term production target is 6,000 barrels of oil equivalent per day ("BOEPD") from exploitation of existing assets.

2017 performance in Brief

- Revenue of TUSD 9,234 (TUSD 5,682), up 63%
- EBITDA of TUSD 1,400 (TUSD -745)
- Result for the period of TUSD -7,126 (TUSD -9,038)
- Earnings per share, before and after dilution, amounted to USD -0.18 per share (USD -0.27 per share)
- TUSD 5,701 (before issue costs) raised through new share issues
- Gross average oil and gas production increased by 19 percent to 671 boepd (564 boepd)
- 10 oil and gas production wells and 1 salt water disposal well were drilled

Business idea

Matra's business idea is to deliver sustainable growth in shareholder value by focusing on exploiting its existing reserves, commercializing and developing discoveries and pursuing selective acquisitions.

Matra's management has extensive experience from the oil and gas industry and the Texas Panhandle region. Matra believes that the area represents a significant hydrocarbon basin in a well developed region. The Texas Panhandle area also benefits from a well developed infrastructure and skilled labour to develop, operate and manage assets and the Company assesses that the US market is transparent with a favourable taxation and an increasing political support for domestic oil production.

Matra believes that the Company is well positioned to increase its production and reserves and benefit from the opportunities that exist in the Texas Panhandle region.

Operational and financial summary

(TUSD unless specifically stated)	**2017**	**2016**	**% change**
Gross crude oil production, bbl	**127,080**	**101,977**	25
Gross gas and natural liquids production, mcf	**707,543**	626,710	13
Average daily gross production, boepd	**671**	564	19
Net crude oil production, bbl	**103,714**	82,614	26
Net gas and natural liquids production, mcf	**523,251**	452,135	13
Average daily net production, boepd	**523**	432	21
Selling price oil, USD/bbl	**47.53**	41.10	16
Selling price gas USD/mcf	**6.78**	4.46	52
Revenues	**9,234**	5,682	63
Operating result	**-560**	-3,730	-
EBITDA	**1,400**	-745	-
Result for the period	**-7,126**	-9,038	-
Earnings per share, USD	**-0.18**	-0.27	-
Shareholders' equity	**21,650**	23,980	-
Non-current liabilities	**53,636**	48,034	12
Investments in oil and gas properties	**5,172**	4,461	16
Number of shares at the end of the year, MSEK	**39,675,217**	n/a	
Market capitalization at the end of the period, MSEK	**230**	n/a	
Share price at the end of the period, SEK	**5.8**	n/a	
1P-reserves mmbo	**21.0**[1]	22.9[2]	

Definitions of key ratios are provided in the section "Notes to the consolidated financial statements".

Annual General Meeting

The Annual General Meeting will be held on Wednesday 23 May 2018, 16:00 CET at Finlandshuset, Topeliussalen, Snickarbacken 4, in Stockholm. To attend the AGM, please see Matra's website, www.matrapetroleum.com, for more information.

[1] Per Degolyer and MacNaughton, Inc. report as of 30 November 2017

[2] Per PeTech Enterprises, Inc. report as of 1 June 2016

Letter to Matra's shareholders

Dear Shareholders,

In 2017, Matra made meaningful progress and recorded significant growth and financial improvements:

- Successful drilling
- Oil and gas production increased by 19%
- Revenue increased by 63%
- EBITDA turned positive and net income improved
- Long term debt was restructured
- 5.7 MUSD in new equity was raised
- Listing on Nasdaq First North in Stockholm

In 2017, financial performance was driven by successful drilling, production optimization and continuous cost and efficiency improvements. Revenues, EBITDA and cash flow were also supported by improved oil and gas prices. Increased capital expenditures, resulting from higher drilling activity were primarily funded by equity issues early in the year and working capital sources, resulting in a net cash decrease.

Matra's asset base offers significant development opportunities and we remain committed to further optimize drilling and production. In 2017, 10 new production wells and 1 salt water disposal well were successfully drilled and completed and are outperforming expectations as drilling and completion techniques keep improving. As a result, oil and gas production increased by 19% in 2017.

The results from the new wells have been incorporated into Matra's updated development plan and independent reserve report to reflect higher expected financial returns from new wells to be drilled going forward. Matra's assets contain 21 million barrels of proven oil and gas reserves, most of which have not yet been developed for production. We have identified more than 440 locations for drilling new wells to add production towards the long term production target of 6,000 boe per day.

Supported by the encouraging drilling results and improved financial performance in 2017 as well as higher oil and gas prices in 2017, Matra now accelerates drilling and development activities on the company's leases in the Texas Panhandle. In 2018, we plan to drill 24 new wells to increase oil and gas production. In addition, an extensive program to improve oil and gas production from existing wells will be executed through workovers and reopening of shut-in wells. Capital expenditures will double to MUSD 11 (2017: MUSD 5.2) and be funded from operating cash flow and available debt sources.

We are also in the process of acquiring an additional 22 producing oil and gas leases in the Texas Panhandle region. Through this acquisition, we add approximately 4 million barrels of oil equivalent in proven reserves and oil and gas production of approximately 100 barrels of oil equivalent per day. Through the transaction we are adding proven reserves, development potential and additional cash flow from existing production from assets that we know well as operator of the assets.

With increased drilling activity and acquisitions, rapid production growth lies ahead. Increasing production and higher oil and gas prices will support Matra's revenue, cash flow and earnings and we are well positioned to further improve financial performance and shareholder returns in the coming year.

27 April 2018

Maxim Barskiy
Chief Executive Officer

Operations

Matra is an independent oil and gas company focusing on production and development of assets through its subsidiary Matra Petroleum USA, Inc ("Matra USA"). Matra USA began their operations in 2013 and operates in the USA where it owns 130 leases covering an area of about 38,140 net acres located in the Texas Panhandle region. The leases are located just outside the Borger city limits. Matra has its US head office in Houston, Texas and a field office in Borger to manage day-to-day operations and production.

Through several acquisitions since 2013, Matra has created an asset base containing 21.0 MMboe of proven oil and gas reserves. Approximately 90 percent of the reserves are currently nonproducing presenting significant opportunities for development. The proven reserves are conventional and the producing reservoirs have depths of between 500 and 1,000 meters with average wells drilled to a depth of 1,000 meters.

The Matra Group is focused on production and development with the objective to increase oil and gas reserves and production over time. About 440 drilling opportunities have been identified within Matra's leases, providing the basis and opportunity for future growth along with selective acquisitions. The company has also identified more than 410 opportunities to improve production from existing wells through reopening of shut-in wells, refracting, deepening and work-overs. Based on these opportunities, Matra is targeting production of up to 6,000 BOEPD, subject to market conditions and availability of financing.

Production

Produced oil is trucked into the Valero refinery located in the Northwest Moore County in the Panhandle area. Produced gas is tied into the DCP Midstream L.P. ("DCP") gas pipeline network, which operates an extensive gathering system called the "Panhandle Super System", and the Energy Transfer Partners pipeline system which operates a gas processing plant in the Pampa area.

Prices and production volumes

	Twelve months 2017			Twelve months 2016		
	Oil, bbl	**Gas, Mcf**	**Total oil equivalent**	**Oil, bbl**	**Gas, Mcf**	**Total oil equivalent**
Produced volume, gross	127,080	707,543	245,004	101,977	626,710	206,429
Average daily production, gross	348	1,938	671	279	1,712	564
Produced volume, net	103,714	523,251	190,923	82,614	452,135	157,970
Average daily production, net	284	1,434	523	226	1,235	432
Sold volume	104,286	523,251	191,495	81,417	452,135	156,773
Net price (USD/Unit)	47.53	6.78	44.41	41.10	4.46	34.19
Revenue from sales of oil and gas (TUSD)	4,957	3,547	8,504	3,346	2,015	5,361

Hedging

Matra's policy is to hedge at least 50 percent of the aggregated projected oil production anticipated to be sold in the ordinary course of business, with a combined duration of at least 36 months, in accordance with the Company's financing agreements.

Reserves

Matra's ownership interest is held through typical oil and gas leases in the state of Texas. Matra's asset portfolio primarily comprises producing assets and development opportunities, together with appraisal opportunities, all of which are located in the Texas Panhandle area.

Matra Petroleum's net oil and gas reserves as per 30 November 2017 were estimated at 21 million barrels of oil equivalent ("MMBOE") with a net present value (PV10) of 151 MUSD calculated based on oil prices of USD 50.73 per barrel and gas prices of USD 3.04 per MMBtu respectively. The reserves are located on Matra's 130 leases, covering an area of 38,140 net acres in the Panhandle region in Texas, USA.

Category	**Oil**	**Gas**	**Total**
	MBBL	**MMCF**	**MBOE**
PROVED DEVELOPED PRODUCING	1,281	6,581	2,378
PROVED, DEVELOPED NONPRODUCING	2,171	17,639	5,110
PROVED UNDEVELOPED	7,817	33,953	13,476
1P	**11,269**	**58,173**	**20,964**

The estimate of reserves has been conducted by independent petroleum consultants DeGolyer and MacNaughton and were prepared in compliance with the United States Securities and Exchange Commission (SEC) regulations. Future prices were estimated using guidelines established by the SEC and FASB based on the 12 month average NYMEX oil price and gas price.

Board of Directors and Management

Board of directors

Eric Forss
Chairman of the board of directors
Independent in relation to the company and major shareholders

Mr. Forss (born 1965) has been the chairman of the board since 2016. He has about 30 years of management experience from the oil and gas industry. He has a BSc degree in Finance from Babson College, Wellesley MA, USA.

Mr. Forss is also chairman and board member of D.O.Y AB, Mediagruppen Stockholm MGS AB, Gangsters Post AB and WINDFORSS ENERGY AB, CEO and board member of S.O.G. Energy Svenska Oljegruppen AB, board member of Forsinvest Aktiebolag, Forcenergy AB, and board deputy of Fogel Partners AB

Holding in Matra Petroleum AB: 1,934,985 shares (Privately and via Forsinvest AB)

Maxim Barskiy
Director and Managing director
Not independent in relation to the company and major shareholders

Mr. Barskiy (born 1974) has been a member of the board and the Managing director of Matra Petroleum AB since 2017. He has been Chief Executive Officer and Managing Director of Matra USA since 2013. Maxim has worked in the oil and gas industry for more than 12 years. Mr. Barskiy has a MSc degree in Economics from State University of St. Petersburg, St. Petersburg, Russia.

Holding in Matra Petroleum AB: Holds 50% in Rovelo Investments Ltd, which in turn holds 24,895,219 shares in Matra Petroleum.

Ekaterina Konshina
Director
Independent in relation to the company and major shareholders

Mrs. Konshina (born 1976) has been member of the board of directors since 2017. Ekaterina is a finance professional with 20 years' experience in various industries, including 10 years with listed oil and gas companies. Her expertise covers all major areas of finance and accounting functions. Mrs. Konshina was CFO at West Siberian Resources Ltd. from 2004 to 2008. She holds a MBA from The University of Chicago Booth School of Business. Mrs. Konshina is also board member of Gekkon Consulting Ltd.

Holding in Matra Petroleum AB: 73,579 warrants.

Frank C. Lytle
Director
Independent in relation to the company and major shareholders

Mr. Lytle (born 1946), has been a member of the board of directors since 2017. He has extensive experience from the oil and gas industry where he successfully has built technically strong and team oriented organizations. Mr. Lytle has a BA in Russian Studies from University of Houston.

Mr. Lytle is also managing member of Geo-Vision Resources LLC and Trinity Lake LLC.

Holding in Matra Petroleum AB: 73,579 warrants.

Management

Maxim Barskiy
Chief Executive Officer

See information under Board of directors.

Elena Selezneva
Chief Financial Officer (CFO)

Ms. Selezneva (born 1982) has been CFO at Matra Petroleum AB since 2017 and Chief Financial Officer of Matra USA since 2016, Elena has over six years of experience in the oil and gas industry and is an ACCA qualified accountant. Elena holds a BSc degree in Accounting from Moscow State University of Economics, Statistics and Informatics.

Holding in Matra Petroleum AB: 367,897 warrants

Sergey Funygin
Chief Operating Officer (COO)

Mr. Funygin (born 1968) has been Chief Operating Officer of Matra USA since 2014. He has more than 20 years of experience in the exploration and production industry. Sergey holds an MBA from Rice University, Houston, TX.

Holding in Matra Petroleum AB: 367,897 warrants

Igor Indychko
Chief Technical Officer (CTO)

Mr. Indychko (born 1970) has been CTO at Matra USA since 2013. He has over 25 years of experience in the oil and gas industry. He holds a MSc degree in Petroleum Engineering from Moscow Academy of Oil and Gas.

Holding in Matra Petroleum AB: 220,737 warrants

Andrey Nikishenkov
Head of Business Development

Mr. Nikishenkov (born 1977) has been head of business development at Matra USA since 2013. He has over 12 years of experience in the oil and gas industry and is a qualified accountant. He holds a MSc in Economics from the Higher School of Economics and a diploma in Mathematics from Moscow State University.

Holding in Matra Petroleum AB: 220,737 warrants

Permits and environment

Matra's operational subsidiary Matra Petroleum Operating, LLC holds an Operator's license from the State of Texas regulatory body Railroad Commission of Texas ("TRRC"). TRRC jurisdiction extends to most of the in-the-field activities of upstream and midstream oil and gas operators in Texas. Under delegations of authority from the legislature, the TRRC has broad statutory authority to require operators to conduct oil and gas activities in ways that will prevent waste and to regulate operator activities to prevent pollution of surface water and groundwater. Any organization performing operations within the jurisdiction of the TRRC is required to hold an Operator's license and post a bond in order to obtain and secure its commitment under the license. Matra Operating has posted a 250 TUSD as security with TRRC. Non-material fees are paid for annual renewal of Operators license and drilling permits. Matra is in compliance with TRRC requirements.

Share Information

Matra Petroleum's shares are since 20 April 2017 traded at First North in Stockholm. First North is an alternative market, operated by the different exchanges within NASDAQ Stockholm. It does not have the legal status as an EU-regulated market. Companies at First North are subject to the rules of First North and not the legal requirements for admission to trading on a regulated market.

Shares and options outstanding

Matra Petroleum's registered share capital at 31 December 2017 amounts to TSEK 39,675 represented by 39,675,217 shares of nominal value SEK 1.00000002. All outstanding shares are common shares. Each share in the Company entitles the holder to one vote at shareholders' meetings. Each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

On 8 February 2017, it was resolved to issue a maximum of 1,859,485 warrants in order to replace previous ownership assurances to management in Matra USA which were issued on 28 February 2017. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 1.01 per share (nominal value) during the period between 31 August 2017 and 31 January 2022. If the warrants are fully exercised it will lead to a dilution of about 4.5 percent of the share capital and votes in the Company (note 24).

Dividend policy

Matra's strategy is to redeploy cash flows from operations through its capital expenditure program aimed at increasing oil and gas reserves and production and does not foresee to declare dividends in the near future. The dividend policy will be reviewed annually.

Share capital development

Registration date	Event	Number of shares change	Number of shares total	Share capital change (SEK)	Share capital total (SEK)
2016-10-26	Founded		50,000		50,000
2017-01-13[3]	New share issue	450,000	500,000	450,000	500,000
2017-01-13	Share split 1:1000	499,500,000	500,000,000	0	500,000
2017-02-14[4]	New share issue	10,950,513,775	11,450,513,775	10,950,513.78	11,450,513.78
2017-02-28[5]	New share issue	22,020,218,798	33,470,732,573	22,020,218.80	33,470,732.57
2017-02-28	Reverse share split 1000:1	-33,437,261,841	33,470,732	0	33,470,732.57
2017-03-06[6]	New share issue	1,359,485	34,830,217	1,359,485.02	34,830,217.60
2017-03-17[7]	New share issue	4,595,000	39,425,217	4,595,000.08	39,425,217.67
2017-04-06[8]	New share issue	250,000	39,675,217	250,000.00	39,675,217.68

Largest Shareholders (31 March 2018)

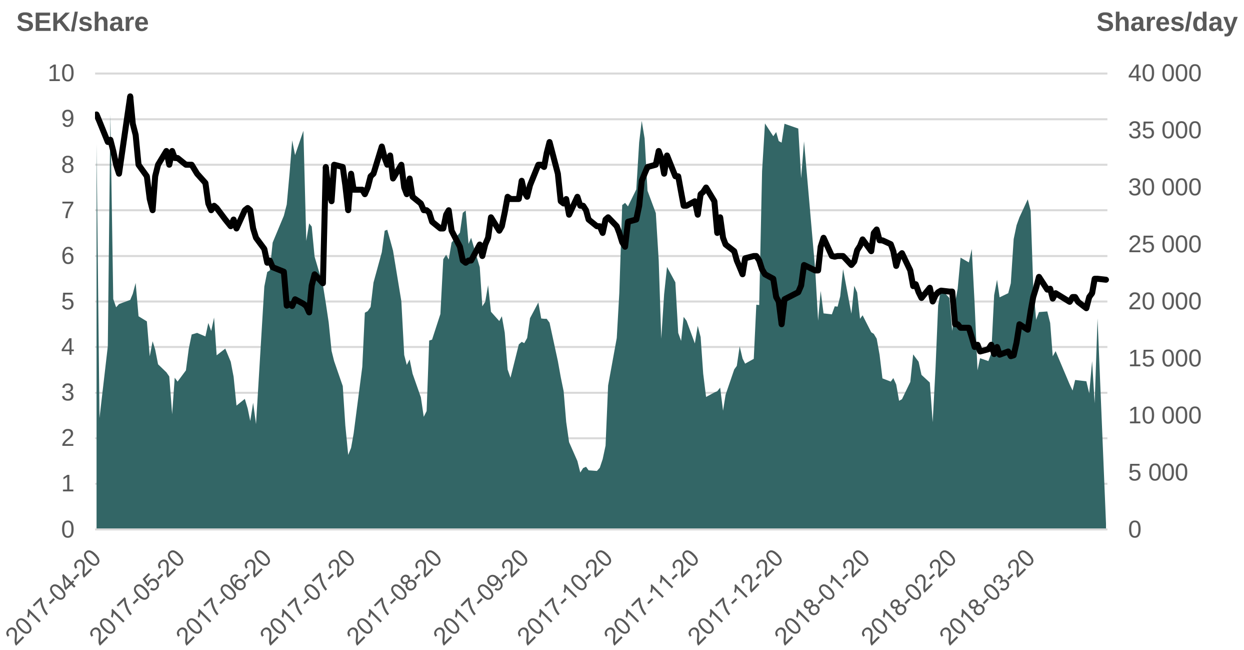
Name	Number of shares	Capital and Votes (%)
Rovelo Investments Limited	24,895,219	62.7
Clearstream Banking S.A.	2,979,037	7.5
SIX SIS AG	2,746,498	6.9
Forsinvest AB	1,934,485	4.9
Danske Bank International S.A.	1,000,000	2.5
UBS Switzerland AG /Clients accoun	954,562	2.4
Filip Engelbert	750,000	1.9
Dividend Sweden AB	590,913	1.5
Avanza Pension	585,074	1.5
Fibonacci Growth Capital	500,000	1.3
Total 10 largest shareholders	**36,935,788**	**93.1**
Other shareholders	2 739 429	6.9
Total	**39,675,217**	**100.0**

Source: Euroclear

Share Price Development and Turnover

Ticker	MATRA
Year high	10 (20 April 2017)
Year low	4.5 (21 December 2017)
Average turnover per day, shares	18,900
Period turnover, shares	3,352,047

[3] New share issue to make the Company a public limited liability company. Forsinvest Aktiebolag founded the Company and owned 100% of the Company's shares initially.
[4] In-kind share issue to acquire 100 percent of Matra ltd at a valuation of SEK 78,649,950.60 corresponding to a subscription price per share of SEK 0.0072 prior to the reverse split (SEK 7.20 after reverse share split).
[5] In-kind share issue to acquire app. 67 percent of Matra USA at a valuation of SEK 158,155,969.40 corresponding to a subscription price per share of SEK 0.0071 prior to the reverse split (SEK 7.10 after reverse share split).
[6] New share issue directed to Forsinvest Aktiebolag, in the amount SEK 1,373,079.85 corresponding to a subscription price per share of SEK 1.01 after to the reverse split, in order for Forsinvest Aktiebolag to retain agreed ownership of the Company through a Scheme of Arrangement in connection with the acquisition of Matra ltd and Matra USA.
[7] New share issue directed to qualified investors, in the amount SEK 45,950,000 corresponding to a subscription price per share of SEK 10.
[8] New share issue directed to the public to increase number of shareholders with an amount of SEK 2,500,000 corresponding to a subscription price per share of SEK 10.



SEK/share
Shares/day
10
9
8
7
6
5
4
3
2
1
0
40 000
35 000
30 000
25 000
20 000
15 000
10 000
5 000
0
2017-04-20
2017-05-20
2017-06-20
2017-07-20
2017-08-20
2017-09-20
2017-10-20
2017-11-20
2017-12-20
2018-01-20
2018-02-20
2018-03-20

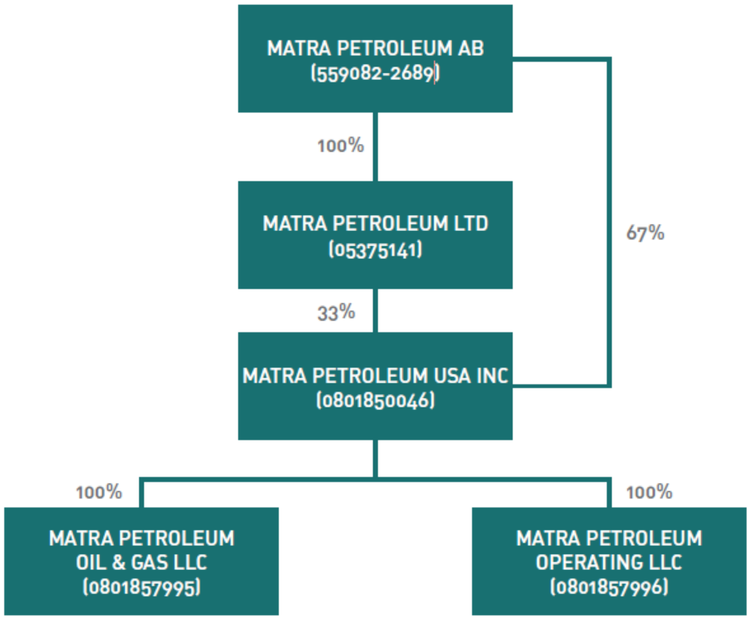
Administration report

The consolidated financial statements of the Matra Petroleum Group (hereafter referred to as “Matra Petroleum” “Matra” or the “Group”), where Matra Petroleum AB (publ) (“Matra AB”, Matra Petroleum AB” or the “Company”) with organizational number 559082-2689 is the parent company, and the annual report for the parent company Matra Petroleum AB (publ) are hereby presented for the twelve months ended 31 December 2017 and the period 26 October 2016 – 31 December 2017 respectively. Figures in brackets refer to the corresponding period last year, unless otherwise stated.

Group structure

Matra AB was formed in October 2016 as the parent company of the group. Matra AB consolidated 100 percent of Matra Petroleum USA, Inc. (”Matra USA”), making it a fully owned subsidiary in February 2017. Through several transactions, Matra USA was acquired from its previous shareholders Rovelo Investment Ltd and Matra Petroleum Ltd (”Matra Ltd”). In exchange, Matra AB issued shares to Rovelo Investment Ltd and Matra Ltd’s former shareholders.

Matra AB is incorporated in Sweden and has its office in Stockholm. Matra has its US head office in Houston, Texas and a field office in Borger to manage day-to-day operations and production. As per 31 December 2017, the Group had 32 employees.



Operations

Matra is an independent oil and gas company focusing on production and development of assets through its subsidiary Matra USA. Matra USA began their operations in 2013 and operates in the USA where it owns 130 leases covering an area of about 38,140 net acres located in the Texas Panhandle region. The leases are located just outside the Borger city limits.

Production

Crude oil and gas production, sales volumes and achieved selling prices are presented in the tables below:

	Twelve months 2017			Twelve months 2016		
	Oil, bbl	**Gas, Mcf**	**Total oil equivalent**	**Oil, bbl**	**Gas, Mcf**	**Total oil equivalent**
Produced volume, gross	127,080	707,543	245,004	101,977	626,710	206,429
Average daily production, gross	348	1,938	671	279	1,712	564
Produced volume, net	103,714	523,251	190,923	82,614	452,135	157,970
Average daily production, net	284	1,434	523	226	1,235	432
Sold volume	104,286	523,251	191,495	81,417	452,135	156,773
Net price (USD/Unit)	47.53	6.78	44.41	41.10	4.46	34.19
Revenue from sales of oil and gas (TUSD)	4,957	3,547	8,504	3,346	2,015	5,361

The net production in the twelve months 2017 amounted to 190,923 barrels of oil equivalent ("boe"), corresponding to 523 barrels of oil equivalent per day (boepd). 54 percent of the production was oil and 46 percent was gas. The net production increased by 21 percent compared to the twelve months 2016. The production increase resulted from drilling and completing new wells in 2017 and workovers on existing wells.

Oil and gas reserves

Matra Petroleum's net oil and gas reserves as per 30 November 2017 were estimated at 21 million barrels of oil equivalent ("MMBOE") with a net present value (PV10) of 151 MUSD calculated based on oil prices of USD 50.73 per barrel and gas prices of USD 3.04 per MMBtu respectively.

Category	**Net reserves**			**PV (10%) (TUSD)**
	Oil, MBO	**Gas, MMCF**	**MBOE**	
Proved developed producing	1,281	6,581	2,378	25,818
Proved developed non-producing	2,171	17,639	5,110	41,527
Proved undeveloped	7,817	33,953	13,476	83,664
Total proved	**11,269**	**58,173**	**20,964**	**151,009**

The estimate of reserves has been conducted by independent petroleum consultants DeGolyer and MacNaughton and were prepared in accordance with the United States Securities and Exchange Commission (SEC) regulations. Future prices were estimated using guidelines established by the SEC and FASB based on the 12 month average NYMEX oil price and gas price.

Revenue

Total revenue in the year ended 31 December 2017 amounted to TUSD 9,234, representing a 63 percent increase compared with the twelve months 2016 (TUSD 5,682). Total revenue included revenue from sales of oil of TUSD 4,957, gas TUSD 3,547 and other income TUSD 730. The increase in revenue was primarily due to higher production and higher realized crude oil and gas prices.

The average received selling prices for oil increased by 16 percent and for gas by 52 percent during the period and amounted to USD 47.53 per bbl for oil and USD 6.78 per mcf for gas (USD 41.10 per bbl and USD 4.46 per mcf). The increase in average selling prices resulted from improved market conditions and increased deliveries of higher quality gas.

Matra sells its oil to the Valero refinery located in the Northwest Moore County in the Panhandle area. The gas is tied into the DCP Midstream L.P. gas pipeline network, and the Energy Transfer Partners pipeline system, both local Texas systems.

Costs
Production costs for the year amounted to TUSD 5,070 representing an increase of 27 percent compared with the year ended 31 December 2016 (TUSD 3,986). This increase in production costs was mainly attributable to higher production and field activity.

General and administrative expenses amounted to TUSD 3,318 for the year ended 31 December 2017, which was lower than TUSD 3,910 for the year ended 31 December 2016. General and administrative expenses include non-recurring costs for the listing on NASDAQ First North amounting to TUSD 167.

Other gain/(loss)
Other gain/(loss) amounted to TUSD -109 (TUSD -536) and represented the loss from revaluation of derivative contracts held by the company during the year and gain and loss realized on settlement of derivative contracts accordingly.

Operating result and EBITDA
The operating result for the year ended 31 December 2017 amounted to TUSD -560, compared to TUSD -3,730 for the year ended 31 December 2016. EBITDA for the year ended 31 December 2017 amounted to TUSD 1,400 (TUSD -745).

The improvement in Operating result and EBITDA was explained by increased revenues resulting from higher production and prices.

Net financial items
The net financial items are comprised of finance costs and change in fair value of warrants. Finance costs amounted to TUSD 6,566 in the year ended 31 December 2017 compared to TUSD 5,493 for the year ended 31 December 2016. The difference was a result of increases in debt and interest rates and movements in foreign currency exchange rates. The interest on Term Loan is due at maturity. There was no charge due to change in fair value of warrants in the period ended 31 December 2017 compared to TUSD 185 for the year ended 31 December 2016 as the warrants were cancelled in February 2017.

Tax
There was no tax charge for the reporting period ended 31 December 2017 (nil).

Result
For the year ended 31 December 2017 Matra reports a net result after tax of TUSD -7,126 corresponding to an earnings per share, before and after dilution, of USD -0.18 (net result after tax of TUSD -9,038 and -0.27 USD per share).

Investment
Total investments in the year ended 31 December 2017 amounted to TUSD 5,172 compared to TUSD 4,461 for the year ended 31 December 2016.

In the year ended 31 December 2017, Matra drilled 10 new production wells and 1 salt water disposal well. All 10 new wells drilled in 2017 were completed and put on production.

Financing and Liquidity

In October 2016, Matra Petroleum AB (publ) was formed as the new group parent company, to consolidate 100 percent of Matra Petroleum USA Inc. The consolidation was completed in February 2017 through a series of transactions. In connection with this, Matra renegotiated and extended its long term debt agreements, raised additional equity capital and widened its Swedish shareholder base.

The Company raised a total of TUSD 5,701 through several equity placements, a private placement directed to qualified investors, and a public offering.

As of 31 December 2017 Matra's total liquidity amounted to TUSD 604 (31 December 31 2016: TUSD 1,532). Cash flow from operations including changes in working capital for the reporting period amounted to TUSD -341 (TUSD -1,447).

Parent company

The parent company's net result before tax from the incorporation on 26 October 2016 until 31 December 2017 amounted to TSEK -6,666 (TUSD -790 at SEK/USD 8.43). The parent company's net result before tax includes included non-recurring costs for the listing on NASDAQ First North amounting to TSEK 1,408 (TUSD 167). The parent company became the parent company of the group during the year ended 31 December 2017.

As of 31 December 2017, the liquidity of the parent company amounted to TSEK 990 corresponding to TUSD 121 at SEK/USD 8.18.

Significant events following 31 December 2017

In March 2018, one of Matra USA's former directors initiated an arbitration proceeding by filing an Arbitration Demand for an alleged breach of an employment agreement. While certain compensation has been accrued in the financial statements, The Group intends to vigorously dispute all of the alleged demand and filed a counterclaim.

Effective 30 March 2018, Matra has closed the financing transaction initially announced on 14 March 2018, with entities controlled by Melody Capital Partners, LP ("Melody") under which Melody will provide up to MUSD 10 of additional capital to fund Matra's 2018 drilling and development program.

Effective 30 March 2018, the Credit Agreement was amended, whereby financial covenants compliance was moved to the quarter ending 31 December 2018 and principal repayments under the Legacy Term Loan were deferred until 1 April 2019.

Matra Petroleum AB and entities controlled by Melody have signed a non-binding term sheet under which Matra will acquire 22 oil and gas leases in the Texas Panhandle region, adding proved reserves of approx. 4.0 million barrels of oil equivalent. Current oil and gas production amounts to approximately 100 barrels of oil equivalent per day. The transaction amounts to MUSD 6.2 through assumption of MUSD 4 of debt and a directed share issue to Melody. Matra has agreed to issue 4,593,435 shares in Matra to Melody, valued at MUSD 2.2, which represent 10.38% of the outstanding shares after the transaction. The acquisition remains subject to final agreements.

Board of directors

Matra's board of directors consists of four ordinary members, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the annual shareholders' meeting 2018. The board of directors consist of Eric Forss, Maxim Barskiy, Ekaterina Konshina and Frank C. Lytle. Three of the directors are independent in relation to the company and major shareholders and one director is not independent in relation to the company and major shareholders.

Remuneration to executive management

Remuneration to the managing director and executive management consists of basic salary, other benefits and pensions. Other members of the executive management are the four persons who together with the managing director, comprise the Group management.

As of May 1, 2017, the managing director receives USD 16,833 per month excluding medical insurance benefits. Other persons of the executive management receive market rated monthly salaries and customary benefits. No variable remuneration is paid. Individual remuneration to the managing director is approved by the board of directors, and individual remuneration of other members of the executive management are determined by the managing director.

Share data

The formation of Matra Petroleum AB (publ) included a number of share issues in 2017, including:

- New share issue of 450,000 shares to make the Matra Petroleum AB (publ) a public limited liability company.
- A share split 1:1,000
- In-kind share issue of 10,950,513,775 shares to acquire 100 percent of Matra Petroleum ltd at a valuation of SEK 78,649,950.60 corresponding to a subscription price per share of SEK 0.0072 prior to the reverse split (SEK 7.20 after reverse share split).
- In-kind share issue 22,020,218,798 shares to acquire approximately 67 percent of Matra Petroleum USA Inc. at a valuation of SEK 158,155,969.40 corresponding to a subscription price per share of SEK 0.0071 prior to the reverse split (SEK 7.10 after reverse share split).
- A reverse share split 1,000:1
- New share issue of 1,359,485 shares directed to Forsinvest Aktiebolag, in the amount of SEK 1,373,079.85 corresponding to a subscription price per share of SEK 1.01 after the reverse split, in order for Forsinvest Aktiebolag to retain agreed ownership of the Company through a Scheme of Arrangement in connection with the acquisition of Matra Petroleum Ltd and Matra Petroleum USA Inc.
- New share issue of 4,595,000 shares directed to qualified investors, in the amount SEK 45,950,000 corresponding to a subscription price per share of SEK 10
- New share issue to the public in the amount of SEK 2,500,000 of 250,000 shares corresponding to a subscription price per share of SEK 10

As per reporting date, the number of outstanding shares in Matra Petroleum AB (publ) amounted to 39,675,217 (basic) and 41,534,702 (diluted).

On 20 April 2017, the trading of shares in Matra Petroleum commenced on Nasdaq First North.

Warrants to management

On 8 February 2017, it was resolved to issue a maximum of 1,859,485 warrants in order to replace previous ownership assurances to management in Matra USA which were issued on 28 February 2017. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 1.01 per share (nominal value) during the period between 31 August 2017 and 31 January 2022. If the warrants are fully exercised it will lead to a dilution of about 4.5 percent of the share capital and votes in the Company (note 24).

Seasonal effects

Matra Petroleum has no significant seasonal variations.

Transaction with related parties

In the fourth quarter 2016, Matra borrowed TUSD 100 from Almaxo Investments Ltd. The loan was repaid in full in the first quarter 2017.

Risk and uncertainties

The Matra Group is working to increase local production of hydrocarbons in Texas, USA by implementing an extensive investment programme focused on the development and modernisation of infrastructure for oil and natural gas production. In the course of these operations the Group manages a complex array of industry-specific risks, such as price trends for oil and gas, currency risks and interest rate risks, licensing issues regarding exploration, processing and the environment, as well as the uncertainty in the value of the exploration work done and of the subsequent field development work. As the operations focus on production rather than exploration, the risk is deemed to be moderate. Further risks and uncertainties are presented in the section Notes to the consolidated financial statements.

Dividend

The board of directors propose that no dividend be paid for the year.

Proposed disposition of unrestricted earnings

The board of directors propose to the annual general meeting that the share premium reserve of SEK 238,075,320 and the loss for the year, SEK -6,666,667 be brought forward in accordance with the table below:

Share Premium Reserve	238,075,320
Loss for the year	-6,666,667
Total	**231,408,653**
To be brought forward	**231,408,653**

Financial statements

The result of the group's and parent company's operations and the financial position at the end of the financial year is shown in the following income statement, balance sheet, cash flow statement, statement of changes in equity and related notes. Balance sheet and income statement will be resolved at the Annual General Meeting, 23 May 2018.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Expressed in TUSD	Note	2017	2016
Revenue:	**3**	**9,234**	**5,682**
Cost of sales:			
Production costs	4	**-5,070**	**-3,986**
Depletion and depreciation		**-1,297**	**-980**
Gross profit/loss		**2,867**	**716**
General and administrative	5, 6, 7	**-3,318**	**-3,910**
Other gain/(loss)			
Net gain/loss on derivative contracts	9	**-109**	**-536**
Operating profit/loss		**-560**	**-3,730**
Net financial items			
Finance costs	8	**-6,566**	**-5,493**
Change in fair value of warrants	18	**-**	**185**
		-6,566	**-5,308**
Profit/loss before tax		**-7,126**	**-9,038**
Loss for the period		**-7,126**	**-9,038**
Attributable to:			
Shareholders of the Parent Company		-7,126	-9,038
		-7,126	**-9,038**
Other comprehensive income			
Currency translation gains/losses		**160**	**-**
		160	**-**
Total comprehensive loss		**-6,966**	**-9,038**
Attributable to:			
Shareholders of the Parent Company		-6,966	-9,038
		-6,966	**-9,038**
Basic earnings per share, USD		-0.18	-0.27
Weighted number of shares		38,908,131	32,970,733
Diluted earnings per share, USD		-0.18	-0.27
Weighted number of shares, fully diluted		40,207,223	32,970,733

CONSOLIDATED BALANCE SHEET

Expressed in TUSD		At 31 December 2017	At 31 December 2016
ASSETS			
Non-current assets			
Oil and gas properties	13	80,957	76,882
Other tangible fixed assets		275	391
Other non-current assets	12	250	250
Total non-current assets		**81,482**	**77,523**
Current assets			
Inventories		170	163
Trade and other receivables	14	1,296	1,113
Derivative instruments	22	-	466
Cash and cash equivalents	15	604	1,532
Total current assets		**2,070**	**3,274**
TOTAL ASSETS		**83,552**	**80,797**
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	16	21,650	23,980
Non-controlling interest		1,795	1,795
Total equity		**23,445**	**25,775**
Liabilities			
Non-current liabilities			
Borrowings	18	52,625	47,015
Decommissioning provision	23	1,011	930
Derivative instruments	22	-	89
Total non-current liabilities		**53,636**	**48,034**
Current Liabilities:			
Borrowings	18	953	136
Trade and other payables	20	2,080	2,306
Accrued liabilities	21	3,056	2,988
Derivative instruments	22	382	-
Fair value of warrants	18	-	1,559
Total current liabilities		**6,471**	**6,989**
Total liabilities		**60,108**	**55,022**
TOTAL EQUITY AND LIABILITIES		**83,552**	**80,797**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in TUSD		2017	2016
Cash flows from operating activities:			
Net result		**-7,126**	**-9,038**
Adjustments for non-cash items:			
Depletion and depreciation		**1,297**	**980**
Unwinding of decommissioning provision discount	23	**79**	**85**
Interest expense	8	**6,401**	**5,408**
Unrealised loss on derivative contracts	9	**664**	**2,005**
Loss on returned leased car		**-37**	**-**
Unrealised gain/loss on warrants	18	**-**	**-185**
Interest paid		**-1,250**	**-1,253**
Changes in working capital		**-370**	**552**
Total cash flows from operating activities		**-342**	**-1,446**
Cash flows from investing activities:			
Investment in oil and gas properties		**-5,172**	**-4,461**
Investment in other fixed assets		-	**-2**
Total cash flows from investing activities		**-5,172**	**-4,463**
Cash flows from financing activities:			
Proceeds from issue of issue of shares		**5,701**	**-**
Issue costs		**-1,065**	**-**
Cash paid for finance costs		**-210**	**-**
Net Cash Provided By Financing Activities		**4,426**	**-**
Change in cash and cash equivalents		**-1,088**	**-5,909**
Cash and cash equivalents at the beginning of the period		**1,532**	**7,441**
Currency exchange difference in cash and cash equivalents		**160**	**-**
Cash and cash equivalents at the end of the period		**604**	**1,532**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in TUSD	Share capital	Additional paid in capital/Other reserves	Foreign currency translation reserve	Retained deficit	Total	Non-controlling interest	Total equity
Total equity as at 1 January 2016	-	71,931	-	-38,913	33,018	1,795	34,813
Result for the period	-	-	-	-9,038	-9,038	-	-9,038
Total comprehensive income for the period	-	-	-	-9,038	-9,038	-	-9,038
Total equity as at 31 December 2016	-	71,931	-	-47,951	23,980	1,795	25,775

Expressed in TUSD	Share capital	Additional paid in capital/Other reserves	Foreign currency translation reserve	Retained deficit	Total	Non-controlling interest	Total equity
Total equity as at 1 January 2017	-	71,931	-	-47,951	23,980	1,795	25,775
Result for the period	-	-	-	-7,126	-7,126	-	-7,126
Translation differences	-		160	-	160	-	160
Total comprehensive income for the period	-	-	160	-7,126	-6,966	-	-6,966
Acquisition of Matra Petroleum USA, Inc.	3,665	-3,665	-	-	-	-	-
New shares issue (cash)	756	4,945	-	-	5,701	-	5,701
Issue cost	-	-1,065	-	-	-1,065	-	-1,065
Total equity as at 31 December 2017	4,421	72,146	160	-55,077	21,650	1,795	23,445

PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Expressed in TSEK	Note	**26 Oct 2016 - 31 Dec 2017**
Revenue		185
Operating expenses		
Other external costs	6	-5,653
Personnel expenses	7	-457
Total Operating expenses		**-6,110**
Operating result		**-5,925**
Profit/loss from financial items		
Translation differences		-727
Interest expenses		-14
Total profit/loss from financial items		**-741**
Net loss for the year		**-6,666**
Other comprehensive income for the year		-
Total comprehensive income for the year		**-6,666**

PARENT COMPANY BALANCE SHEET

Expressed in TSEK	Note	**31 Dec 2017**
ASSETS		
Non-current assets		
Participations in Group companies	11	270,520
Total non-current assets		**270,520**
Current assets		
Current receivables		
Receivables from Group companies	22	484
Prepaid expenses and accrued revenue	14	101
		585
Cash and bank	15	990
Total current assets		**1,575**
TOTAL ASSETS		**272,095**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Restricted equity:		
Share capital	16	39,675
Unrestricted equity:		
Share premium reserve	16	238,075
Result for the year		-6,666
Total shareholders' equity		**271,084**
Current liabilities		
Accounts payable - trade	20	440
Liabilities to Group companies	22	80
Accrued expenses	21	491
Total current liabilities		**1,011**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**272,095**

PARENT COMPANY CASH FLOW STATEMENT

Expressed in TSEK	**26 Oct 2016 - 31 Dec 2017**
Operating activities	
Operating profit/loss before financial items	-6,666
Increase/decrease Other current receivables	-585
Increase/decrease Accounts payable - trade	440
Increase/decrease Other current operating liabilities	571
	-6,240
Investing activities	
Capital contribution	-33,714
Cash flow from investing activities	**-33,714**
Financing activities	
Share issues, net after issue costs	40,944
Cash flow from financing activities	**40,944**
Cash flow for the year	**990**
Cash and cash equivalents at the beginning of the year	**-**
Cash and cash equivalents at year-end	**990**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Expressed in TSEK	Share capital	Share premium reserve	Retained earnings	Total equity
Opening equity 26 Oct 2016	-	-	-	-
Result for the year			-6,666	-6,666
Total comprehensive income			-6,666	-6,666
Transactions with shareholders				
Formation of the Company and Share issues, net after issue costs	39,675	238,075		277,750
Closing equity 31 Dec 2017	**39,675**	**238,075**	**-6,666**	**271,084**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017 and 31 December 2016 (Tabular amounts are in US Dollars, unless otherwise stated).

Corporate information and basis of preparation

This annual report has been prepared in accordance with prevailing International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretation Committee (IFRIC) interpretations adopted by the EU Commision and the Swedish Annual Accounts Act (SFS 1995:1554).

These consolidated financial statements (the ”Financial statements”) reflect the activity for the year ended 31 December 2017 and the comparative for the year ended 31 December 2016. The comparative year ended 31 December 2016 has been prepared by consolidating the financial statements of the Matra Petroleum USA, Inc. (”Matra USA”) Group and Matra Petroleum Ltd (”Matra Ltd”) which were the entities that were acquired by Matra Petroleum AB (publ.) under common-control. For more information, see section Business Combinations below.

The financial report of the Parent Company has been prepared in accordance with accounting principles generally accepted in Sweden, applying RFR 2 Reporting for legal entities, issued by the Swedish Financial Reporting Board and the Annual Accounts Act (SFS 1995:1554) and reflect the activity of the Company for 15 months ended 31 December 2017.

Under Swedish company regulations it is not allowed to report the Parent Company results in any other currency than Swedish Krona or Euro and consequently the Parent Company’s financial information is reported in Swedish Krona and not the Group’s reporting currency of US Dollar.

The Board of Directors and the Managing Director have, on 27 April 2018, approved this annual report and consolidated financial statements for publication. The Board of Directors propose that the retained earnings of the Parent Company will be retained, and no dividend is paid.

Accounting standards, amendments and interpretations

2017 is the first year for the Group to adopt IFRS. Since 1 January 2016, no standards, amendments or interpretations to existing standards entered into effect that had any material impact on the Group’s financial statements.

A number of new standards and interpretations effective for financial years beginning after 1 January 2017 have not been applied in preparing these consolidated financial statements.

IFRS 9, Financial instruments, the standard addresses the classification, measurement and recognition of financial assets and financial liabilities. Effective from 1 January 2018.

IFRS 15, Revenue from contract with customers, the standard addresses revenue recognition and establishes principles for reporting useful information to users of financial statements. Effective from 1 January 2018.

The group has assessed the effects of the above standards introduction and came to a conclusion that they do not have any material impact on the amounts recognised in prior periods. The standards will not have a material effect on future periods either.

IFRS 16, Leases, this standard will replace IAS 17 “Leases” and requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. Effective from 1 January 2019. The Group is yet to assess the full impact of this standard.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions and balances between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Non-controlling interest

The Non-controlling interest relates to 100 shares of Series A preferred shares outstanding at both 31 December 2017 and 2016, held by Rovelo Limited in Matra Petroleum USA, Inc. Series A preferred shareholders are not entitled to receive dividends. As long as any Series A preferred shares are outstanding, the Company cannot declare dividends to or repurchase shares from the common shareholders with the exception of stock dividends junior to the Series A preferred shares. On any voluntary or involuntary liquidation, dissolution, or winding up of Matra USA, the Series A preferred shareholders are to receive a liquidation preference of approximately TUSD 26 per share before any amount is paid to the common shareholders. If the amount to be liquidated is less than the liquidation preference then the Series A preferred shareholders receive all the proceeds. After payment to the Series A preferred shareholders, Matra USA's remaining assets will be distributed to the common shareholders.

Matra USA, at the option of the Board of Directors, may at any time redeem wholly or in part the outstanding Series A shares for approximately TUSD 26 per share. The Series A preferred shareholders have no voting rights but must approve by a two-thirds majority any amendment, alteration or repeal of an article of the certificate of incorporation which would materially and adversely impact the preference, rights, and voting power of the Series A preferred shares. Additionally, pursuant to the Term Loan described in note 18 ”Borrowings”, the repurchase of any equity interests are not permitted without the consent of Melody Capital Finance, LLC. As Rovelo holds the Series A preferred shares in Matra USA, the preferred shares have been recorded within equity on the accompanying consolidated balance sheets.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board of Matra AB has appointed the Group CEO as chief operating decision maker.

The Group CEO does not follow the operations in any dimension other than the operations as a whole, which is why no separate segment reporting is prepared.

Business combinations

The consolidated financial statements incorporate the results of business combinations using acquisition accounting. In the consolidated statement of financial position, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of profit or loss from the date on which control is obtained.

Matra Petroleum AB (publ) (”Matra AB” or ”The Company”) was formed in October 2016 as the parent company of the group. Matra AB consolidated 100 percent of Matra Petroleum USA, Inc. making it a fully owned subsidiary in February 2017. Through several transactions, Matra USA was acquired from its previous shareholders Rovelo Investment Ltd and Matra Petroleum Ltd. In exchange, Matra AB issued shares to Rovelo Investment Ltd and Matra Ltd’s former shareholders.

The transaction did not meet a definition of a business combination in accordance with IFRS 3, Business Combinations, as it was a transaction under common control, consequently these financial statements are issued under the legal parent, Matra AB, but are deemed to be a continuation of the legal subsidiaries Matra USA and Matra Ltd, which have been under common control, and hence comparative information have been included. The capital structure reflects the number of shares and the stated capital of Matra AB.

Acquisition-related costs are expensed as incurred.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('functional currency'). The consolidated financial statements are presented in US dollars (USD) which is the currency the Group has elected to use as the presentation currency.

Matra AB's functional and presentational currency is Swedish Kronas.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

The following rates were used to translate these financial statements:

Currency	As at 31.12.2017	Average for 15 months to 31 December 2017	As at 31.12.2016	Average for 2016
SEK to USD	8.1822	8.4349	N/A	N/A

Oil and gas properties

The Company follows the successful efforts method of accounting for its oil and natural gas activities. Using this method of accounting, costs associated with the acquisition, drilling and equipping of successful exploratory wells and the cost of development wells are capitalized and depleted by the units-of-production method over the life of the related reserves. Lease acquisition costs are amortized over total proved reserves and all other capitalized costs are amortized over proved developed reserves. Estimated future abandonment and site restoration costs are included in the amortization base, and estimated salvage values are taken into account in the depletion calculation. Geological and geophysical costs, delay rentals and drilling costs of unsuccessful exploratory wells are charged to expense as incurred. Reserve estimates on proved properties and evaluation and impairment of proved and unproved properties are based on subjective engineering and management judgment and, as such, are inherently imprecise. Accordingly, changes in these estimates will occur as additional information becomes available in the future.

All of the Company's oil and natural gas properties are proved. The Company performs its impairment review of proved oil and natural gas properties on a depletable unit (field) basis when there is an indication for a change in the value of oil and gas properties to determine that the net book amount of capitalized costs within each field is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group’s interest in related fields.

Other tangible assets

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost of assets, less their estimated residual value, over their expected useful economic lives on the following basis:
Computers and office equipment - 25% per annum straight line.

Vehicles and other equipment – 33% per annum straight line.

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Financial instruments

Financial assets and financial liabilities are recognised when the Group and the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to the cash flow expires or when substantially all the risk and rewards of ownership are transferred. Financial liabilities are de-recognised when the obligations specified in the contract are either fulfilled or otherwise terminated.

The reported value – after any impairment – of accounts receivable and accounts payable is assumed to equate to their fair value, since these entries are short-term in nature.

Financial assets

The Group classifies its financial assets in the following categories: financial assets measured at fair value through profit or loss, loans and receivables, and financial assets available for sale. Classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. Currently the Group has only financial assets in the categories financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

This category has two subcategories:
– Designated. The first includes any financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.
– Held for trading. The second category includes financial assets that are held for trading. All derivatives (except those designated as hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.

Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group bases the fair value of financial instruments depending on available market data at time of valuation. Valuation methods are categorised into three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. The Company considers active markets as those in which transactions for the assets or liabilities occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability. This category includes those derivative instruments that the Company values using observable market data. Substantially all of the inputs are observable in the marketplace throughout the term of the derivative instrument, can be derived from observable data, or supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non exchange-traded derivatives such as over-the-counter commodity price swaps.

Level 3: Measured based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable from objective sources (i.e. supported by little or no market activity).

Derivatives
The Company utilizes derivative instruments to manage its exposure to fluctuations in the underlying commodity prices of crude oil and natural gas sold by the Company. The Company's management sets and implements hedging policies, including volumes, types of instruments and counterparties, to support oil and natural gas prices at targeted levels and manage its exposure to fluctuating prices.

The Company’s derivative instruments consist of swap and collar arrangements for oil and natural gas. In a commodity swap agreement, if the agreed-upon published third-party index price (“index price”) is lower than the swap fixed price, the Company received the difference between the index price and the swap fixed price. If the index price is higher than the swap fixed price, the Company pays the difference. For collar arrangements, the Company receives the difference between an agreed-upon index and the floor price if the index price is below the floor price. The Company pays the difference between the agreed-upon ceiling price and the index price if the index price is above the ceiling price. For the years ended 31 December, 2017 and 2016, net cash settlements received on these derivative contracts totaled MUSD 0.66 and MUSD 1.54, respectively.

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

Derivatives are initially recognised at fair value on the date a derivate contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Gains or losses relating to the changes in fair value of the hedging instrument are recognised in the income statement as other gains/losses.

The Group elected not to apply hedge accounting for its hedges after it assessed benefits resulting from the application of hedge accounting and concluded that there will not be a material difference in gains or losses if hedge accounting was applied. The Group will assess appropriateness of application of hedge accounting on an annual basis.

Loans and receivables
Loans and receivables are financial assets that are not derivatives, that have fixed or determinable payments and that are not quoted in an active market. They are included in current assets, with the exception of assets with maturities greater than 12 months after the reporting date, which are instead classified as fixed assets. The Group’s loans and receivables comprise Trade and other receivables and Cash and cash equivalents in the balance sheet.

Trade and other receivables
Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost (unless the effect of the time value of money is immaterial), using the effective interest method, less allowance for impairment in value.

The fair value of trade and other receivables corresponds to their carrying amounts since the discount effect is not material. A reserve for write-downs of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties on the part of the debtor, probability that the debtor will enter bankruptcy or financial restructuring, and default or delinquency in payments are considered indicators that an impairment requirement of accounts receivable may be present. Reserves are measured as the difference between the asset’s reported value and the present value of estimated future cash flows, discounted at the effective interest rate. The asset’s reported value is reduced through the use of a depreciation account and the loss is recognised in the income statement. When receivables cannot be collected, they are written off against the depreciation account for accounts receivable. Subsequent recoveries of amounts previously written off are credited to the income statement.

Cash and cash equivalents
Cash include cash on the group's current bank accounts and restricted cash. Currently there are no cash equivalents.

Financial liabilities

Trade and other payables
These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within a certain amount of days of recognition: 30 days for administrative expenses, 60 days for capital expenses and 90 days for operating expenses. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. The fair value of current accounts payable and other current liabilities corresponds to their carrying amounts as the discount effect is immaterial.

Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost (unless the effect of the time value of money is immaterial). Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs (borrowing costs) of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. Borrowing costs are recorded as a reduction of the related long-term debt and amortized over the term of the debt using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Inventories

Inventories of hydrocarbons are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories of consumable well supplies are recorded in the income statement immediately as they purchased only when they are required and only immaterial amount well supplies is held by the Company

Current and deferred taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.
Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Equity

Share capital consists of the registered share capital for the Parent, Matra AB. Share issue costs arising on the issue of new equity are recognised directly in equity as a reduction of the share proceeds received. Excess contribution in relation to the issuance of shares is accounted for in the item additional paid-in-capital.

The currency translation reserve contains unrealised translation differences due to the conversion of the functional currencies into the presentation currency.

Retained earnings contain the accumulated results attributable to the shareholders of the Parent Company.

Decommissioning provisions

A decommissioning provision is recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources is required to settle the obligation and the amount can be reliably estimated.

On fields where the Group is required to contribute to site restoration costs, a decommissioning provision is recorded to recognise the future commitment. An asset is created, as part of the oil and gas property, to represent the discounted value of the anticipated site restoration liability and depleted over the life of the field on a unit of production basis. The corresponding accounting entry to the creation of the asset recognises the discounted value of the future liability. The discount applied to the anticipated site restoration liability is subsequently released over the life of the field and is charged to financial expenses. Changes in site restoration costs and reserves are treated prospectively and consistent with the treatment applied upon initial recognition.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 19). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Currently the group doesn't have any pension plans.

Warrants to management

The fair value of warrants granted to management for nil consideration as is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

There was no expense recorded in relation warrants granted to management in these financials as this expense occurred and was recorded in prior years.

Revenue

Revenues from the sale of crude oil and natural gas are recognised in the income statement net of royalties attributable to royalty owners. Sales of crude oil and natural gas are recognized when production is sold to a purchaser at a fixed or determinable price, delivery has occurred, title has transferred, and collectability of the revenue is probable. Delivery occurs and title is transferred when production has been delivered to a pipeline, railcar or truck. The sales method of accounting is used for oil and natural gas sales such that revenues are recognized based on the Company's share of actual proceeds from the oil and natural gas sold to purchasers. Revenues from the production of natural gas and crude oil properties in which the Company has an interest with other producers are recognized based on the actual volumes sold during the period. Any differences between volumes sold and entitlement volumes, based on the Company's net working interest, which are deemed to be non-recoverable through remaining production, are recognized as accounts receivable or accounts payable, as appropriate. For the years ended 31 December 2017 and 2016, there were no significant oil and natural gas imbalances.

Other income

Other income is the income generated from the oil and gas properties operation services provided by the Group to a third party. Income from provision of operating services is recognised on a monthly basis based on the number of producing and non-producing wells during the month. Reimbursement of directly attributable expenses related to the properties operations such as pumpers, trucks, fuel costs and other expenses is recognised in general and administrative expenses to eliminate these third party costs from the Group's financials.

Production costs

Production costs include inventory movements, production taxes, electricity, crude oil heat treatment (during the winter period), compressor lease/maintenance, field operating team compensation, maintenance/work-over costs and other costs.

Related party transactions

Matra AB recognises the following related parties: subsidiaries, management, , members or the family of the key management personnel or other parties that are partly, directly or indirectly, controlled by key management personnel or of its family or of any individual that controls, or has joint control or significant influence over the entity.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

There is a potential dilution due to the warrants issued to management (note 24). Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the Group currently has a net loss, there is no effect from dilution.

Critical accounting estimates and judgements

The directors make estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Estimates in oil and gas reserves

Estimates of oil and gas reserves are used in the calculations for impairment tests and accounting for depletion and site restoration. Standard recognised evaluation techniques are used to estimate the proved and probable reserves. These techniques take into account the future level of development required to produce the reserves. Changes in estimates of oil and gas reserves, resulting in different future production profiles, will affect the discounted cash flows used in impairment testing, the anticipated date of site decommissioning and restoration and the depletion charges in accordance with the unit of production method.

Estimates of the Company's producing and non-producing oil and natural gas reserves as of 31 December 2017 and 2016 were based on a report prepared by an independent, third party engineer. Estimates of proved reserves are based on the quantities of oil and natural gas that engineering and geological analyses demonstrate, with reasonable certainty, to be recoverable from established reservoirs in the future under current operating and economic parameters.

Reserves and their relation to estimated future net cash flows impact the depletion and impairment calculations. As a result, adjustments to depletion and impairment are made concurrently with changes to reserve estimates. The accuracy of the Company's reserve estimates is a function of many factors including the quality and quantity of available data, the interpretation of that data, the accuracy of various mandated economic assumptions, and the judgments of the individuals preparing the estimates, all of which could deviate significantly from actual results. As such, reserve estimates may materially vary from the ultimate quantities of oil and natural gas eventually recovered.

The estimates of proved reserves materially impact depletion expense and impairment expense. If the estimates of proved reserves decline, the rate at which the Company records depletion expense will increase or impairment could exist, reducing future net income. Such a decline may result from lower market prices, which may make it uneconomic to drill for and produce from higher-cost fields.

Changes in estimates in oil and gas reserves could for example result from additional drilling, observation of long-term reservoir performance or changes in economic factors such as oil price and inflation rates.

Total proved reserves present value at 10% (MUSD)	151	151
Change in discount rate (%)	+2	-2
Total effect on proved reserves present value	-20	25

Information about the carrying amounts of the oil and gas properties and the amounts charged to income, including depletion, exploration costs, and impairment costs is presented in note 13.

Provision for site restoration

Amounts used in recording a provision for site restoration are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to the site decommissioning and restoration can be different. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of site restoration provisions are reviewed on a regular basis.

The effects of changes in estimates do not give rise to prior year adjustments and are treated prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgement, actual results could differ from these estimates. Information about the carrying amounts of the provision for site restoration is presented in note 23.

Net result in financial statements (TUSD)	-7,126	-7,126
Change in decommissioning provision (%)	+10	-10
Total effect on net result (TUSD)	-8	8

Impairment of oil and gas properties

The Group performs impairment tests, on a field by field basis, oil and gas properties when there is an indication for a change in the value of oil and gas properties to determine that the net book amount of capitalized costs within each field is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in related fields (note 13). The Group has used its judgement and made assumptions e.g. future oil prices, discount rates and reserves and resources to perform these tests.

There was no indication for a potential impairment in oil and gas properties as of 31 December 2017. A discounted cash flow analysis of oil and gas properties performed for the year ended 31 December 2016 showed no impairment. The Company's reserve report is prepared by a third party engineering firm to ensure the Company's reserves are evaluated by an independent firm.

Recognition of deferred tax assets and loss carry forward:

The Group continuously evaluates the possibility of utilising tax loss carry forwards in each legal entity. Because it is uncertain when and to what extent the tax loss carry forwards can be utilised against future taxable profits, no deferred tax assets regarding tax loss carry forwards have been recognised. Tax loss carry forwards in Sweden can be rolled over and have no expiration date.

In December 2017, the President of the United States of America signed into low the Tax Cuts and Jobs Act (the "Tax Reform Act"). The Tax Reform Act permanently reduces the U.S. corporate income tax rate from 34% to 21%, effective 1 January 2018. As a result of the reduction in the U.S. corporate income tax rate, the Company revalued its ending deferred tax assets and liabilities at 31 December 2017, resulting in a reduction in deferred tax assets of approximately MUSD 3.5 with a corresponding reduction in its valuation allowance resulting in no income tax provision.

Definitions of key ratios

1. EBITDA (earnings before interest, tax, depreciation and amortisation) is defined as the Group's operating profit plus depreciation.

2. Earnings per share before dilution are calculated by dividing the profit or loss attributable to Parent Company shareholders with a weighted average number of outstanding ordinary shares during the period.

3. Earnings per share after dilution are calculated by the amounts used for the calculation of earnings per share before dilution being adjusted by taking into account the effect after tax of dividends and interest expenses on potential ordinary shares and the weighted average of the additional ordinary shares that would have been outstanding in a conversion of all potential ordinary shares. At present, the Group has no effect from dilution, which means that the earnings per share before dilution correspond to earnings per share after dilution.

Parent Company accounting principles

The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the standard, RFR 2 Reporting by a legal entity, issued by the Swedish Financial Reporting Board. Under RFR 2, the Parent Company in its Annual Report is to apply all the IFRS and IFRIC interpretations approved by the EU to the extent possible within the framework of the Annual Accounts Act, the Act on Income Security, and taking into account the close tie between financial reporting and taxation. The standard specifies what exceptions from or additions to the IFRS shall be made.

Unless otherwise stated below, the Parent Company has followed the accounting principles stated above. These principles have been consistently applied for all years disclosed.

Formats
The income statement and balance sheet follow the format of the Annual Accounts Act. The Company's first financial year was the period 26 October 2016 to 31 December 2017, hence no corresponding numbers for previous period are presented.

Participations in subsidiaries
Shares and participations in subsidiaries and associates are recognised at cost less potential write-downs. Cost includes acquisition-related costs and any additional purchase price. Received dividends are recognised as financial income. Dividends, which exceed the subsidiary's comprehensive income for the period or mean that the book value of the holding's net assets in the consolidated financial statements is below the book value of the participations, are an indication that there is an impairment requirement.

When there is an indication that shares or participations in a subsidiary or associate have decreased in value, an estimate of the recoverable amount is made. If this is lower than the carrying amount, a write-down is made. Write-downs are recognised in Result from participations in Group companies or Result from participations in associated companies.

Taxes
The Parent Company reports untaxed reserves including deferred tax where applicable.

Note 1 – Risk and uncertainties

The Group's activities expose it to a number of risks and uncertainties which are continuously monitored and reviewed. Risk management is predominately controlled by the management under policies approved by the board of directors. The management identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments. Presented below are the main risks and uncertainties of the group as identified by the directors and how the group handles these risks.

Environmental risks

Oil and gas operations can be environmentally sensitive. The Company devotes considerable effort and expense to identify and mitigate any perceived environmental risk. The operations are subject to extensive regulatory control with regard to environmental matters which could have a material adverse effect on the Company's business, financial condition and results of operations.

Key personnel

Matra is dependent on certain key personnel, some of whom have founded the Company at the same time as they are among the existing shareholders and members of the board of directors of the company. These people are important for the successful development of the Company. The Company actively tries to strike an optimal balance between its dependence of key personnel and its methods for retaining these.

Financial risk factors

Through its operations, the Group is subject to various financial risks: Market risk (comprising foreign exchange risk, interest rate risk and price risk), credit risks and liquidity risks. The Group strives for awareness of potentially negative effects on the Group's financial performance.

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar. Foreign exchange risk arises from future capital transactions and recognised assets and liabilities denominated in a currency other than US dollar. The risk is measured through a forecast of highly probable US dollar expenditures. No foreign exchange hedging has been undertaken during 2017 or 2016 as US dollar expenditures at Matra AB level were not material.

The US dollar denominated bank loans are expected to be repaid with receipts from US dollar denominated sales. The foreign currency exposure of these loans has therefore not been hedged.

Interest rate risk

The group's interest rate risk arises from long-term borrowings with a variable component in interest rates, LIBOR, which expose the group to cash flow interest rate risk. However, as the variable component makes only an insignificant part of the interest rate, the exposure of the group's borrowing to interest rate changes of the borrowings at the end of the reporting period is not material and hence the interest rate risk is not hedged. However this policy is under constant review.

Price risk - Oil and gas price

The group's revenues are primarily affected by volatility of oil and gas prices. The economics of producing from some of Matra's wells may change as a result of lower prices, which could result in a reduction in the volumes of Matra's reserves if some are no longer economically viable to develop. Significantly lower oil prices could also decrease investors' interest in Matra's business which can affect the company's share value.

Oil price sensitivity analysis

Net result in financial statements (TUSD)	-7,126	-7,126	-7,126	-7,126
Change in oil price (%)	+5	-5	+10	-10
Total effect on net result (TUSD)	248	-248	496	-496

Gas price sensitivity analysis

Net result in financial statements (TUSD)	-7,126	-7,126	-7,126	-7,126
Change in gas price (%)	+5	-5	+10	-10
Total effect on net result (TUSD)	177	-177	355	-355

The group assesses the benefits of forward hedging sales contracts for the purpose of establishing a secured cash flow and to comply with the loan covenants. If Matra believes that the hedging contract will provide an enhanced cash flow or if the risk of not being able to meet covenants is high, then Matra may choose to enter into an oil and/or gas price hedge.

The group has the following oil and gas prices hedges:

Expressed in TUSD	**2017**	**2016**
Assets		
Derivatives - current	-	466
	-	**466**
Liabilities		
Derivatives - non-current	-	89
Derivatives - current	382	-
	382	**89**

Credit risk
The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to fulfil an obligation. Exposure to credit risk arises as a result of the Group's sales of products in accordance with applicable payment terms and transactions with counterparties giving rise to financial assets.

The group's maximum exposure to credit risk amounts to the figures reported in the balance sheet. Trade and other receivables are considered to have low credit risk, and thus there was no impairment provision recognized during 2017 or 2016.

Liquidity risks and capital risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held cash in bank of TUSD 600. An additional up to MUSD 10 loan was secured to finance capital program aimed to increase existing production and reserves valuation (note 28).

Management monitors rolling forecasts of the group's liquidity reserve and cash on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the group in accordance with practice and limits set by the group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the group's liquidity management policy involves considering the level of cash necessary to meet these, monitoring balance sheet liquidity ratios against external regulatory requirements and maintaining debt financing plans.

The table below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations and gross loan commitments. Such undiscounted cash flows differs from the amount included in the balance sheet because the amounts in the balance sheet are based on discounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity table

Expressed in TUSD	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Over 2 years**	**Total contractual cash flows**	**Carrying amount liabilities**
At 31 December 2017						
Trade payables	1,480	152	-	-	1,631	1,631
Derivatives	164	218	-	-	382	382
Borrowings (excluding finance leases)	-	-	-	54,381	54,381	52,501
Finance lease liabilities	56	56	89	34	236	236
Total	**1,700**	**426**	**89**	**54,415**	**56,630**	**54,750**

At 31 December 2016						
Trade payables	2,121	184	-	-	2,306	2,306
Derivatives	-	-	89	-	89	89
Borrowings (excluding finance leases)	-	-	-	58,310	58,310	47,015
Finance lease liabilities	68	68	175	-	310	310
Total	**2,189**	**252**	**264**	**58,310**	**61,016**	**49,720**

Note 2 – Segment information

The Group's accounting principles for segments describes that operating segments are based on geographic perspective and reported in a manner consistent with the internal reporting which is primarily based on income statement ratios and provided to the CEO, which is considered to be the chief operating decision maker.

As of 31 December 2017 and 2016, the group was engaged in oil and gas exploration and production business only in Texas, USA.

Geographical area

Expressed in TUSD	***2017***	***2016***
Segment revenue		
Texas, USA	9,234	5,682
Segment fixed assets		
Texas, USA	81,232	77,273

The group CEO primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA, see below) to assess the performance of the operating segments. However, the group CEO also receives information about the segments' revenue and assets on a monthly basis.

EBITDA

EBITDA excludes depreciation, impairments and unrealised gain/(loss) on derivative contracts from operating profit/loss. This measurement provide a better understanding of what operating earnings are without the impact of non-cash depreciation and the effect non-cash derivative revaluations.

EBITDA reconciles to operating loss as follows:

Expressed in TUSD	***2017***	***2016***
Total EBITDA	**1,400**	**-745**
Depreciation and amortisation	-1,296	-980
Unrealised gain/(loss) on derivative contracts	-664	-2,005
Operating loss	**-560**	**-3,730**

Note 3 – Revenue

	Group TUSD		**Parent** TSEK
	2017	***2016***	***26 October 2016 - 31 December 2017***
Oil	4,957	3,346	-
Natural gas	3,547	2,015	-
Other income	730	321	185
	9,234	**5,682**	**185**

Note 4 - Production costs

	Group TUSD 2017	2016
Oil and gas production costs	4,665	3,778
Production taxes	405	244
Change in inventory position	-	-36
	5,070	**3,986**

Note 5 – Administrative expenses

	Group TUSD 2017	2016
Staff costs	1,378	924
Deferred directors' remuneration	-	1,556
Travel	233	120
Office costs	416	346
Professional costs	295	222
Corporate costs	280	225
Accounting	162	162
Reservoir engineer report	150	100
Legal	88	101
Share issue and acquisition costs	167	-
Due diligence costs	97	-
Other costs	50	154
	3,318	**3,910**

Note 6 - Remuneration of auditors

	Group TUSD		**Parent** TSEK
	2017	*2016*	*2017*
PricewaterhouseCoopers AB			
Audit assignment	74	-	624
Audit services in addition to the audit assignment	-	-	-
Tax advisory services	-	-	-
Other services	-	-	-
			-
Other auditors			-
Audit fee	112	188	-
Tax advice	-	32	-
Other	20	5	-
	206	**225**	**624**

Audit assignment refers to the examination of financial statements and accounting records and the Board’s and CEO’s administration, other tasks that might be incumbent on the company’s auditors, and advice and other assistance as a result of observations during the audit or the implementation of the other duties referred to. This category also include audit services and advisory services in relation to the Company's listing on First North. ‘Other auditing assignments’ mainly comprises a general survey of interim reports. ‘Tax advisory services’ includes advice on income tax, including internal pricing issues, and VAT. ‘Other services’ refer to services not relating to the above categories.

Note 7 – Employees

Average number of employees per country

	Group		Parent
	2017	2016	2017
Sweden	1	1	1
of which men	1	1	1
United States of America	29	24	-
of which men	23	17	-
United Kingdom	2	2	-
of which men	2	2	-
Total	**32**	**27**	**1**
of which men	**26**	**20**	**1**

Members of the Board and senior management	Group		Parent
	2017	2016	2017
Board of Directors	4	2	4
of which men	3	2	3
Managing director	1	1	1
of which men	1	1	1
Senior management	5	6	2
of which men	4	5	2
Total	**10**	**9**	**7**
of which men	**8**	**8**	**6**

Salaries, other remuneration and social security costs

	2017			2016		
Expressed in TUSD	Salaries and other remuneration	Medical insurance	Social security costs	Salaries and other remuneration	Medical insurance	Social security costs
Parent company						
Sweden	54	-	-	-	-	-
Total parent company	**54**	**-**	**-**	**-**	**-**	**-**
Subsidiaries abroad						
United States of America	1,658	225	136	1,210	177	94
United Kingdom	-	-	-	-	-	-
Total subsidiaries abroad	**1,658**	**225**	**136**	**1,210**	**177**	**94**
Total Group	**1,712**	**225**	**136**	**1,210**	**177**	**94**

Expressed in TUSD	2017			2016		
Salaries and other remuneration distributed between the board and other employees	**Board**	**Managing Director and other senior management**	**Other employees**	**Board**	**Managing Director and other senior management**	**Other employees**
Parent company						
Sweden	64	54	-	-	-	-
Total parent company	**64**	**54**	**-**	**-**	**-**	**-**
Subsidiaries abroad						
United States of America	-	729	1,154	-	408	979
United Kingdom	-	-	-	-	-	-
Total subsidiaries abroad		**729**	**1,154**		**408**	**979**
Total Group	**64**	**783**	**1,154**	**-**	**408**	**979**

No agreements regarding severance pay are in place.

Note 8 - Finance costs

	Group TUSD	
	2017	***2016***
Interest expense	6,401	5,408
Unwiding of decomissioning provision discount	79	85
Foreign currency exchange loss	86	-
	6,566	**5,493**

Note 9 – Net gain/loss on derivative contracts

	Group TUSD	
	2017	***2016***
Realised gain on derivative contracts	555	1,469
Unrealised loss on derivative contracts	-664	-2,005
	-109	**-536**

Note 10 – Income Taxes

	Group TUSD		**Parent** TSEK
	2017	***2016***	***26 October 2016 - 31 December 2017***
Loss for the period before taxes	**-7,126**	**-9,038**	**-6,666**
Tax according to national tax rates	-1,838	2,992	1,466
Fiscal losses for which no deferred tax asset is recognised	1,838	-2,992	-1,466
Tax expenses for the year	**-**	**-**	**-**

As of 31 December 2017, the total fiscal deficit of the US subsidiary is estimated to approximately MUSD 45.5 expiring between 2033 and 2038. Realization of the Company's deferred tax assets, specifically the loss carryforwards is depend on the Company's ability to generate taxable income during the carryforward period.

There was no current or deferred tax recognized in the years ended 31 December 2017 and 2016. The operations in the US have been in deficit in both 2017 and 2016, and therefore there is no average weighted tax rate calculated.

The US subsidiary is also subject to a margin-based franchise tax law which is commonly referred to as the Texas margin tax and is assessed at a 0.75% rate. The tax is considered an income tax and is determined by applying a tax rate to a base that considers revenues less the greater of cost of goods sold and employee compensation or 30% of gross revenues.

Note 11 - Participations in Group companies

Parent company *Expressed in TSEK*	Share of Equity, %	Share of votes	Number of shares	Book value 31 Dec 2017
Matra Petroleum USA, Inc	66.7	66.7	667	191,870
Matra Petroleum Ltd	100	100	1	78,650

Participations in Group companies	
Expressed in TSEK	**31 Dec 2017**
Opening acquisition value	-
Acquisition of shares in subsidiaries	236,806
Capital contribution	33,714
Closing accumulated acquisition value	**270,520**

Shares in subsidiaries

Name of entity	***Domicile***	***Ownership held by the group***		***Ownership held by non-controlling interests***		***Principal activities***
		2017	2016	2017	2016	
Matra Petroleum USA, Inc.	USA	100%	100%	0%	0%	Holding Company
Matra Petroleum Oil & Gas, LLC	USA	100%	100%	0%	0%	Owner of oil & gas properties
Matra Petroleum Operating, LLC	USA	100%	100%	0%	0%	Operator of oil & gas properties
Matra Petroleum Ltd	United Kingdom	100%	100%	0%	0%	Holding Company
Matra Cyprus Petroleum (Alpha) ltd	Cyprus	0%	100%	0%	0%	Holding Company
Bakonino Holdings ltd	Cyprus	0%	100%	0%	0%	Holding Company

Note 12 - Other non-current assets

	Group TUSD	
Expressed in TUSD	***2017***	***2016***
Deposit to Rail Road Commission	250	250
	250	**250**

An obligatory deposit to the Texas Rail Road Commission for operators of oil and gas properties situated in Texas, USA.

Note 13 - Oil and gas properties

Expressed in TUSD	**Group** TUSD *2017*	*2016*
Opening net book amount	76,882	73,138
Additions	5,219	4,548
Depletion charge for the year	-1,144	-804
Impairment	-	-
Closing net book amount	**80,957**	**76,882**
Cost at fair value	84,886	79,667
Accumulated depreciation and impairment	-3,929	-2,784
Net book amount	**80,957**	**76,882**

Note 14 - Trade and other receivables

	Group TUSD		**Parent** TSEK
	2017	*2016*	*2017*
Trade receivables	1,160	760	-
Other debtors	-	185	-
Prepayments	136	169	101
	1,296	**1,113**	**101**

Note 15 - Cash and cash equivalents

	Group TUSD		**Parent** TSEK
Expressed in TUSD	*2017*	*2016*	*2017*
Cash at bank and in hand	604	1,532	990
	604	**1,532**	**990**

Note 16 – Shareholders's equity

Matra Petroleum AB (publ)'s registered share capital at 31 December 2017 amounts to TSEK 39,675 represented by 39,675,217 shares of nominal value SEK 1.00000002. An ordinary share entitles its holder to a dividend that is determined in due course. All shares entitle holders to voting rights at the Annual General Meeting. All shares convey equal rights to Matra Petroleum's remaining net assets.

The Company has a warrant based incentive programme for management, further information on which described in note 24. As a result there are 41,543,702 fully diluted shares outstanding as of 31 December 2017.

Details of movements in ordinary shares

Details	Number of shares (thousands)	Par value, TUSD	Share Premium, TUSD	Total, TUSD
Opening balance 1 January 2016	-	-	-	-
Matra ltd and Matra USA combined	-	-	71,931	71,931
Balance 31 December 2016	-	-	71,931	71,931
Acquisition of Matra Petroleum USA, Inc.	33,471	3,665	-3,665	-
New issue	6,204	756	4,945	5,701
	39,675	4,421	73,211	77,632
Less: transaction costs arising on share issues			-1,065	-1,065
Balance 31 December 2017	**39,675**	**4,421**	**72,146**	**76,567**

Further details in ordinary shares movements are described in administration report section on page 10.

Note 17 – Earnings per share

Expressed in TUSD	**2017**	**2016**
Profit /(Loss) attributable to ordinary shareholders	-7,126	-9,038
	Number of Shares	**Number of Shares**
Weighted average number of shares used in the calculation of basic loss per share	38,908,131	32,970,733
Potential effect of dilutive share options	1,299,092	-
Weighted average number of shares	40,207,223	32,970,733
Loss per share, USD		
Basic loss per share, USD	-0.18	-0.27
Diluted loss per share, USD	-0.18	-0.27

Note 18 – Borrowings

The Group has borrowings administred by Legacy Texas Bank and Melody Capital Finance LLC. The loans require compliance with certain covenants including among others requirements related to EBITDA in relation to outstanding loans, hedging requirements, leverage rate and capital raising requirements.

During 2017 the Group has not been in full compliance with the covenants. The borrowers have however confirmed to waive the existing defaults before the balance sheet date and the outstanding loans are therefore accounted for according to the payment plan as agreed on 31 December 2017.

With the closing of the Loan from Melody Capital Finance LLC, warrant agreements were also executed with Melody to acquire 111 shares of Matra USA's common stock, subject to adjustment upon the issuance of certain dilutive securities, at an exercise price of $27,027 per common share. The warrants would expire on 17 July 2020. The warrants included a put option allowing the holders to require Matra USA to redeem the warrants at an amount which would provide Melody with an internal rate of return equal to 15% in respect to the aggregate principal amount borrowed under the Term Loan. The put option would have been triggered on the earliest of (i) date upon which all the principal and interest under the debt agreement had been satisfied in full or (ii) 17 July 2018. The put option would have expired on 17 July 2020. The warrants were initially measured at fair value with the proceeds from the Term Loan allocated first to the warrants with the remainder allocated to the Term Loan. Fair value was estimated using a discounted cash flow model based on estimated future cash redemption of the warrants.

Effective 23 February 2017, the Company executed an amendment to Loan Agreement which among other things, terminated the outstanding warrants for consideration of MUSD1.56, with such amount being added to the outstanding balance of the Term Loan.

The Company's revolving credit facility at 31 December 2017 and 2016 consists of the following:

	Group TUSD		**Parent** TSEK
Expressed in TUSD	***2017***	***2016***	***2017***
Non-current:			
Legacy Revolving Facility principal balance	19,921	24,938	**-**
Melody term loan	28,420	21,902	**-**
Legacy term loan	4,160	-	**-**
Finance lease	124	175	**-**
	52,625	**47,015**	**-**
Current:			
Legacy term loan	840	**-**	**-**
Finance lease	113	136	**-**
	953	**136**	**-**

Change in financial liabilities

	Group TUSD		**Parent** TSEK
	2017	***2016***	***2017***
Opening financial liabilities	47,150	42,879	-
Cash paid for finance costs	-210	-	-
Interest expense paid	-1,250	-1,253	
Changes in working capital	-72	116	
Total cash items	**-1,532**	**-1,137**	**-**
Changes in the interest expense	6,401	5,408	-
Warrants conversion into loan	1,559	-	
Total non-cash items	**7,960**	**5,408**	**-**
Closing financial liabilities	**53,578**	**47,150**	**-**

Note 19 - Leases

The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of three to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.
The Company has entered into vehicle capital leases and recorded gross leased assets of TUSD393 and capital lease obligations of TUSD236. These leases extend over a 36-month term with expected payments as follows:

Expressed in TUSD	
Year Ending 31 December,	**Annual payments**
2018	113
2019	94
2020	29
	236

The Company subleases office space in Houston, Texas with the term extending through May 2021. In December 2016, the Company amended the lease agreement to defer 50% of the monthly contractual obligation during the period August 2016 through 31 May 2019, at which time the deferral amount is due in full. Deferred amounts are subject to a 1.5% interest rate per annum. At 31 December 2017, expected minimum lease payments for each of the next five years are as follows:

Expressed in TUSD	
Year Ending 31 December,	**Annual payments**
2018	56
2019	249
2020	118
2021	50
2022	-
	473

Note 20 - Trade and other payables

	Group TUSD		**Parent** TSEK
Expressed in TUSD	***2017***	***2016***	***2017***
Trade payables	1,630	2,112	440
Other creditors	450	194	-
	2,080	**2,306**	**440**

Trade payables are unsecured and are usually paid as follows: capital expenditures within 60 days of recognition, operating expenses within 90 days of recognition and administrative expenses within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Note 21 - Accrued liabilities

Expressed in TUSD	**Group** TUSD *2017*	**Group** TUSD *2016*	**Parent** TSEK *2017*
Directors deferred payroll	2,777	2,760	-
Interest payable	109	109	-
Other accrued expenses	170	119	491
	3,056	**2,988**	**491**

Note 22 - Financial instruments by category

	Group TUSD			**Parent** TSEK		
Financial assets	**Financial assets at fair value through profit and loss**	**Loans and receivables**	**Total**	**Financial assets at fair value through profit and loss**	**Loans and receivables**	**Total**
2017						
Trade and other receivables	-	1,295	1,295	-	-	-
Receivables from Group companies	-	-	-	-	484	484
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	-	604	604	-	990	990
	-	**1,900**	**1,900**	**-**	**1 474**	**1 474**
2016						
Trade and other receivables	**-**	1,113	1,113	-	-	-
Receivables from Group companies	**-**	**-**	-	-	-	-
Derivative financial instruments	466	**-**	466	-	-	-
Cash and cash equivalents	-	**1,532**	1,532	-	-	-
	466	**2,645**	**3,112**	**-**	**-**	**-**

Financial liabilities	Group TUSD Derivatives at fair value	Liabilities at amortised cost	Total	Parent TSEK Derivatives at fair value	Liabilities at amortised cost	Total
2017						
Borrowings (excluding liabilities attributable to financial leasing)	-	53,342	53,342	-	-	-
Liabilities attributable to finance leases	-	237	237	-	-	-
Payables to Group companies	-	-	-	-	80	80
Derivative financial instruments	382	-	382	-	-	-
Trade and other payables	-	2,081	2,081	-	-	-
	382	**55,659**	**56,041**	**-**	**80**	**80**
2016						
Borrowings (excluding liabilities attributable to financial leasing)	-	46,840	46,840	-	-	-
Liabilities attributable to finance leases	-	310	310	-	-	-
Payables to Group companies	-	-	-	-	-	-
Derivative financial instruments	89	-	89	-	-	-
Trade and other payables	-	2,306	2,306	-	-	-
	89	**49,456**	**49,545**	**-**	**-**	**-**

Note 23 – Decommissioning provision

Expressed in TUSD	***2017***	***2016***
Opening balance	930	843
Additions	2	2
Unwinding of discount	79	85
Closing balance	1,011	930
Non-current	1,011	930
Total	**1,011**	**930**

Note 24 – Incentive programme

Matra AB has an incentive programme as part of the remuneration package to employees. The allocation is not guaranteed and the board of directors of the Company shall resolve on and implement the allocation based on performance of the company and the employees.

On 8 February 2017, it was resolved to issue a maximum of 1,859,485 warrants in order to replace previous ownership assurances to management in Matra USA which were issued on 28 February 2017. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 1.01 per share (nominal value) during the period between 31 August 2017 and 31 January 2022. If the warrants are fully exercised it will lead to a dilution of about 4.5 percent of the share capital and votes in the Company.

No warrants were exercised during the year.

Exercise price, SEK	Grant date	Outstanding at start of year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of year	Final exercise date	WA life of contracts, years
2017								
1.01	28/2/17	-	1,859,485	-	-	1,859,485	1/31/2022	4.5
Total		**-**	**1,859,485**	**-**	**-**	**1,859,485**		

Note 25 – Related party transactions

In the Matra Group, Matra Petroleum AB (publ) with organizational number 559082-2689 is the parent company. In the fourth quarter 2016, Matra borrowed TUSD 100 from Almaxo Investments Ltd. The loan was repaid in full in the first quarter 2017. Key management remuneration and warrants to employees are disclosed in notes 7 and 24 accordingly.

Other transactions are presented in the table below (TSEK).

Related party	Year	Purchases	Sales	Receivable	Debt
Gekkon Ltd, advice	2017	89			87
Forsinvest AB, administrative services	2017	650			244
Matra Petroleum USA, Inc.			185		
Matra Petroleum Plc/Ltd				484	

The transactions are priced at market conditions.

Note 26 – Pledged assets and contingent liabilities

Pledged assets

	Note	**Group** TUSD		**Parent** TSEK
Expressed in TUSD		***2017***	***2016***	***2017***
Pledged fixed assets		80,957	76,882	-
Pledged shares in subsidiaries	11	22,821	25,166	192
Deposition Euroclear		6	-	50
		103,784	**102,048**	**242**

Contingent liabilities

Guarantee commitment
The parent company has guaranteed a loan amounting to TUSD 29,381 as of 31 December 2017 raised by the subsidiary Matra Petroleum USA, Inc. This commitment is not expected to cause any payments.

Note 27 – Capital management

The group’s objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, attract new debt or sell assets to reduce debt.

Note 28 – Events after balance sheet date

In March 2018, one of Matra USA's former directors initiated an arbitration proceeding by filing an Arbitration Demand for an alleged breach of an employment agreement. While certain compensation has been accrued in the financial statements, The Group intends to vigourously dispute all of the alleged demand and filed a counterclaim.

Effective 30 March 2018, Matra has closed the financing transaction initially announced on 14 March 2018, with entities controlled by Melody Capital Partners, LP ("Melody") under which Melody will provide up to MUSD10 of additional capital to fund Matra's 2018 drilling and development program.

Effective 30 March 2018, the Credit Agreement was amended, whereby financial covenants compliance was moved to the quarter ending 31 December 2018 and principal repayments under the Legacy Term Loan were deferred until 1 April 2019.

Matra and Melody have signed a non-binding term sheet under which Matra will acquire 22 oil and gas leases in the Texas Panhandle region, adding proved reserves of approx. 4.0 million barrels of oil equivalent. Current oil and gas production amounts to approximately 100 barrels of oil equivalent per day. The transaction amounts to MUSD 6.2. Matra will assume 4 MUSD in debt and direct a share issue to Melody for MUSD 2.2 for the acquisition. Matra has agreed to issue 4,593,435 shares in to Melody, valued at MUSD 2.2, which represent 10.38% of the outstanding shares after the transaction. The acquisition remains subject to final agreements.

Affirmation

The board of directors and the managing director declare that the consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and give a true and fair view of the Group's financial position and results of operations. The financial statements of the Parent Company have been prepared in accordance with generally accepted accounting principles in Sweden and give a true and fair view of the Parent Company's financial position and results of operations. The statutory Administration Report of the Group and the Parent Company provides a fair review of the development of the Group's and the Parent Company's operations, financial position and results of operations and describes material risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, 27 April 2018

Eric Forss, Chairman of the board

Frank Lytle, Director

Maxim Barskiy, CEO

Ekaterina Konshina, Director

Our auditor's report was submitted on

27 April 2018

PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Matra Petroleum AB (publ.), corporate identity number 559082-2689

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts for the financial year 26 October 2016 to 31 December 2017 and consolidated accounts of Matra Petroleum AB (publ.) for the financial year 1 January 2017 to 31 December 2017. The annual accounts and consolidated accounts of the company are included on pages 12-51 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2017 and its financial performance and cash flow for the financial year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other matter

As described in the annual accounts and the consolidated accounts on page 26 the Group was formed in February 2017 when Matra Petroleum AB (publ.) acquired all shares in Matra Petroleum USA, Inc and Matra Petroleum Ltd. The acquisition was a transaction under common control and consequently the financial statements for the Group are presented as a continuation of the legal subsidiaries financial information. An audit of the corresponding figures in the consolidated accounts for the financial year 1 January 2016 to 31 December 2016 has not been conducted.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-11. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Director's and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Directors of Matra Petroleum AB (publ.) for the financial year 26 October 2016 to 31 December 2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Directors be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. [The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.]

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Directors in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 27 April 2018
PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant