Annual report 2017

pointresources

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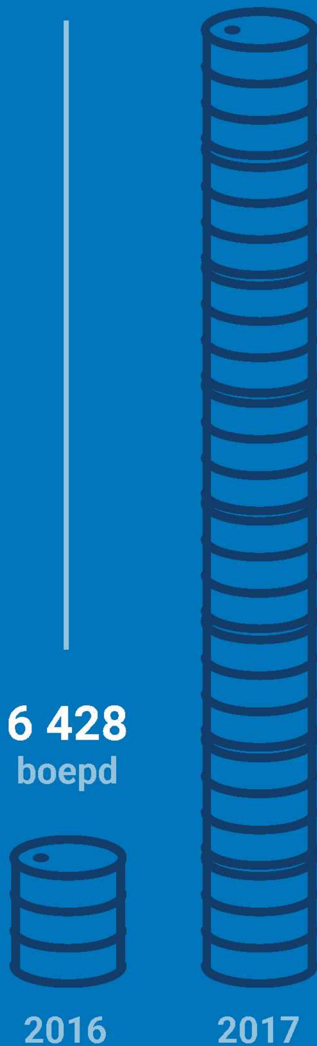
In the section *Point Resources in brief*, pro-forma numbers are used mainly to illustrate the operational and financial effect of the acquisition of ExxonMobil’s operated NCS portfolio in 2017 by use of the economic date of the transaction, 1 January 2017, rather than the date for closing of the transaction, 1 November 2017. It is in the Board of Director’s opinion that use of pro-forma numbers for 2017 is a representative way of showing Point Resources’ underlying performance for 2017. The Consolidated Financial Statements prepared according to IFRS are based on the completion date 1 November 2017, and numbers for 2017 in this section may therefore differ from the Consolidated Financial Statements.

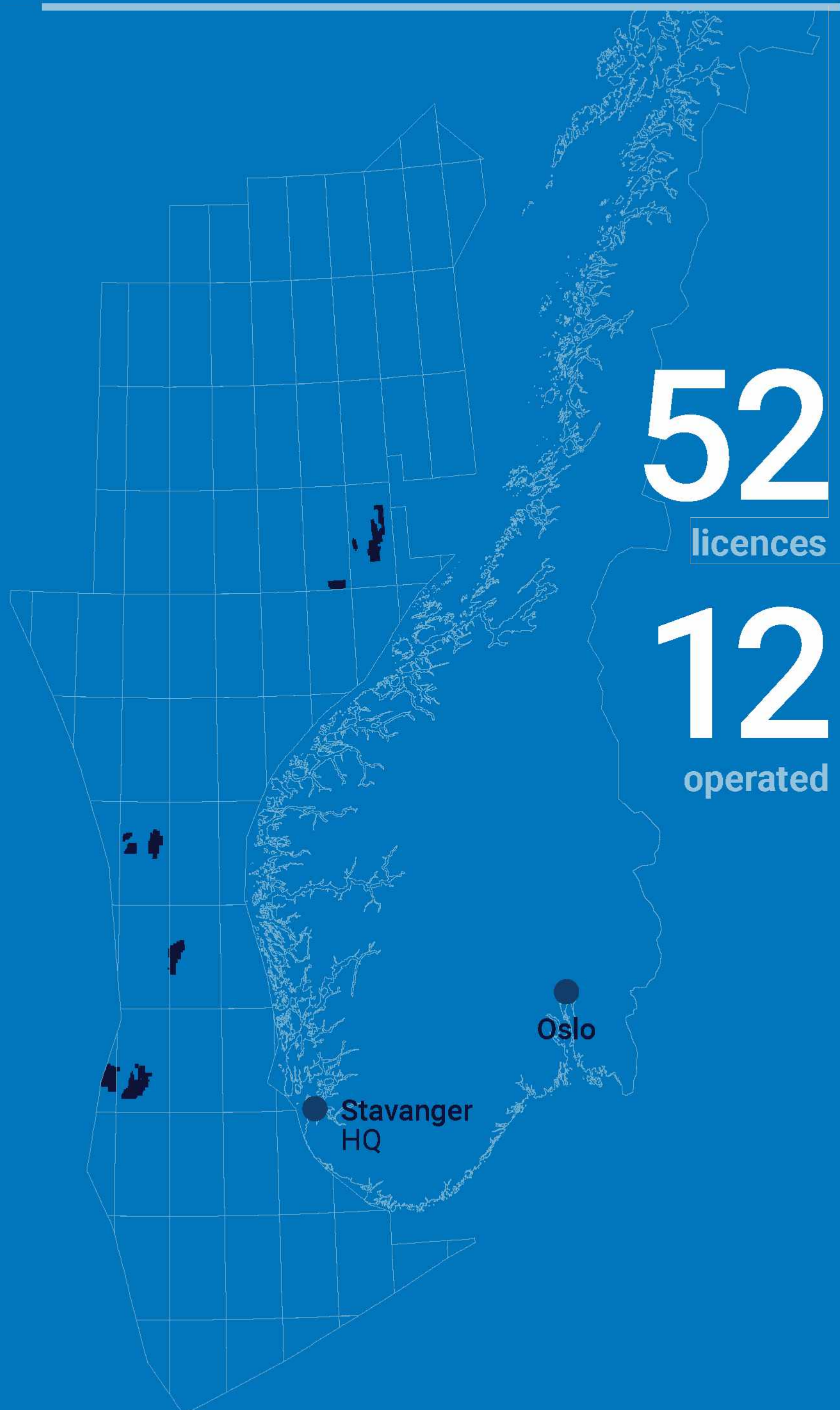
All production, reserve and resource data in this annual report are net to Point Resources AS.

Point Resources AS has an ambition to become a leading, independent E&P company on the Norwegian Continental Shelf (NCS)

Daily net production



Our presence



Pro-forma key figures

Petroleum revenues
USD million

812

USD 94 million in 2016

EBITDAX
USD million

552

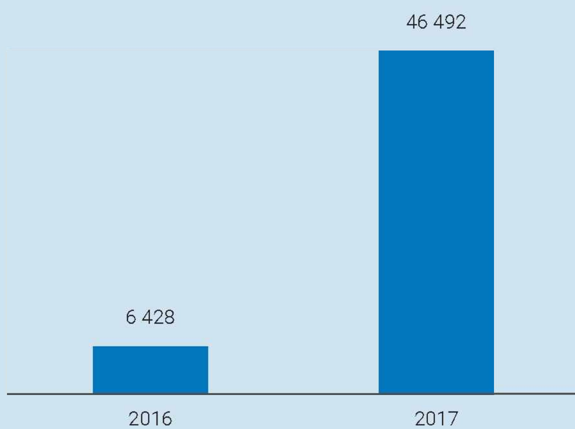
USD 61 million in 2016

NIBD/EBITDAX

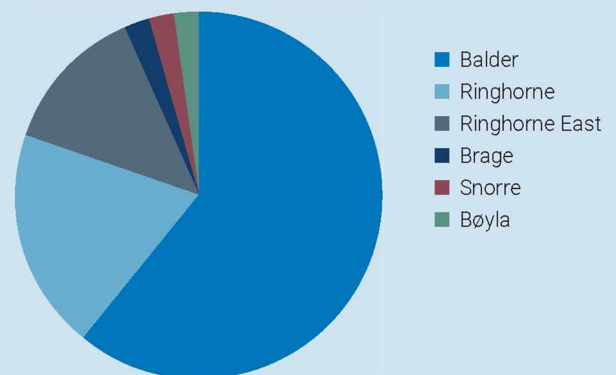
0.8

Leverage covenant < 3.5x

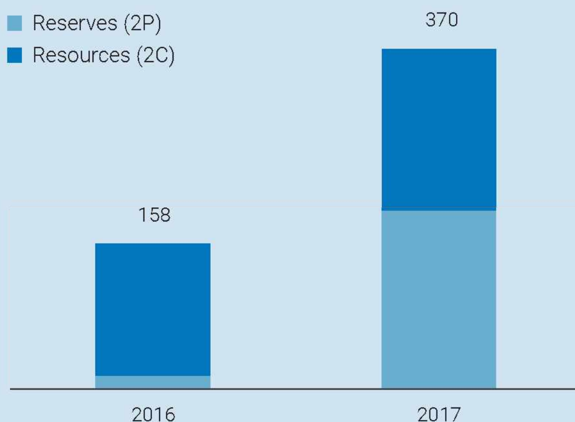
Full year 2017 net production boepd



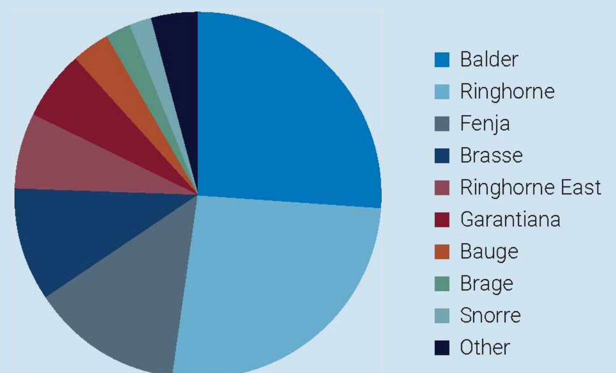
Full year 2017 net production per field



Reserves and resources mmboe



2P and 2C reserves and resources per field end of 2017



Point Resources discloses alternative performance measures (APM) as part of its financial statements prepared in accordance with IFRS. These performance measures are used in the Company's internal reporting as well as by analysts, investors and other interested parties. The disclosures of these APM's are meant to provide insight into the operation and future prospect of the Company. An overview over APM can be found in chapter on Alternative Performance Measures.

Condensed pro-forma consolidated statement of income

1 JANUARY - 31 DECEMBER (USD MILL)	2017	2016
Petroleum revenues	812.2	94.0
Production cost	-206.6	-33.7
G&A, other income and expenses and results from hedging activities	-53.5	-4.7
EBITDAX	552.1	61.1
Exploration expenses	-56.5	-120.8
DD&A	-274.3	-66.7
Operating profit / (loss) - EBIT	221.2	-126.4

Condensed consolidated statements of financial position

31 DECEMBER (USD MILL)	2017	2016
Goodwill, other intangible assets and deferred tax asset	600.6	14.9
Exploration and evaluation assets	196.9	234.2
Oil and gas properties	1 450.7	222.9
Other property, plant and equipment and non-current assets	171.3	0.6
Trade, other receivables, inventories and current financial assets	310.6	121.3
Cash and short term deposits	123.1	76.7
Total assets	2 853.2	670.5
Total equity	254.5	221.6
Interest-bearing loans and borrowings	783.4	98.1
Deferred tax liabilities	237.3	127.8
Non-current abandonment provision	965.2	91.9
Loans from related companies	248.0	-
Other non-current liabilities	103.6	12.0
Current abandonment provision	97.7	-
Accounts payable, accrued liabilities and other current liabilities	141.9	119.0
Taxes payable	21.6	-
Total equity and liabilities	2 853.2	670.5

Condensed pro-forma consolidated statements of cash flows

1 JANUARY - 31 DECEMBER (USD MILL)	2017	2016
Cash flows from operating activities	575.7	71.5
Cash flows to investing activities	-1 113.3	-11.3
Cash flows from financing activities	583.9	-41.1
Increase / (decrease) in cash	46.4	19.0
Cash and cash equivalents - beginning of period	76.7	57.7
Cash and cash equivalents - end of period	123.0	76.7

A platform for further growth established

On 1 November 2017, Point Resources AS took over as operator of the assets acquired from ExxonMobil, and I had privilege to take on the position as CEO, heading what constitutes the start of the next generation of operating companies on the Norwegian Continental Shelf (NCS). The first step on this road is to develop Point Resources into a leading, independent exploration and production (E&P) company, and the Company's achievements during 2017 prove that we are well under way to establishing a robust platform for further expansion.

Point Resources ambition is to achieve a production level of more than 150 000 boepd by the mid-2020s. Our game plan to achieve this ambitious objective, is underpinned by five core strategic activities; to increase recoverable reserves from our producing assets and grow production through new major developments, as well as selective exploration, portfolio optimisations and further M&A activities.

A vital component to realising our ambitious production targets, is a competent organisation, with a shared set of values and unwavering focus. Our current organisation is the result of the successful combination of Point Resources' entrepreneurial spirit and ExxonMobil's industry leading organisation from more than 50 years of NCS operations. Our goal is to integrate and optimise these two complimentary cultures and continue to develop Point Resources into an organisation that is renowned and respected for industry leadership.

In our approach to triple our production level by the mid of the next decade, we need to be in the forefront in key areas. Health, safety, security and the environment (HSSE) is not only a priority, but also a core value in all our operations and at every level of the organisation. I was pleased to see the two merged Point Resources organisations add to the Company's strength in this area in 2017, and we will continue to improve these efforts.

Looking back at 2017, it was a year of major events and successes, of which the transfer of operatorships and ownerships from ExxonMobil to Point Resources was a key element. This transaction added growth and positioned Point Resources as a key player, ready to partake in shaping the NCS E&P business going forward. A few months into 2018, backed by highly reputed owners, with a track record for building leading E&P companies, and a strong organisation, we succeeded in raising and securing a USD 250 million bond, by targeting leading international investors. I take this as proof of faith in our ability to develop Point Resources into a leading next generation E&P operator on the NCS.

That said, I also know from experience that what creates value in a successful E&P company is safe, high quality, day-by-day operations, and the ability to realise value in the existing portfolio. I am proud to say that we accomplished several of our ambitions in these areas during 2017, thereby consolidating our position for the future.

During the year, Point Resources participated in several Plans for Development and Operations – such as the Bauge field, the Fenja field and the Snorre Expansion Project – which were all submitted to the Norwegian Ministry of Petroleum and Energy. We also completed successful exploration activities, resulting in the Frosk discovery in early 2018, and have put solid efforts into maturing commercial discoveries such as Garantiana and Brasse. All in all, Point Resources has gained experience and created value by focusing on fast track, low cost, subsea developments that fully utilise existing infrastructure.

In addition, we are making major investments in our operated Balder and Ringhorne fields in the North Sea. More than half a century after ExxonMobil was awarded the very first production licence (PL 001) here in 1965, resulting in the first Norwegian oil discovery two years later, it is quite remarkable that we still find further potential in the area. Point Resources has sanctioned a new 6-well infill drilling campaign at Ringhorne, with drilling starting 1Q 2019. A major future drilling program at Balder is also being matured, supported by a new seismic survey, to be acquired in 2018. A new exploration campaign, to be executed in the Balder and Ringhorne area in 2019, has also been approved. These activities, along with facility life extension programmes, will significantly increase oil recovery at our operated assets.

Furthermore, Point Resources invested significantly in the Awards for Predefined Areas (APA), and was awarded a total of ten licences in early 2018, whereof two licences as operator. We see this as recognition of the competence and hard work of our organisation.

2017 was an eventful year, which started Point Resources on the journey to becoming an active player in shaping the further development of the NCS. As CEO, I see an exciting potential for growth – both organically and through strategic M&A initiatives. We have in place two vital components to carry this out, in the form of a reputable and financially solid key owner, and an organisation set up with skilled, experienced professionals.

The CEO of Point Resources AS, Morten Mauritzen, at the Ringhorne field after the transfer of operatorships from ExxonMobil to Point Resources 1 November 2017.

The acquisition of the fields Balder, Ringhorne and Ringhorne East has turned Point Resources into an operator and an independent mid-sized Norwegian E&P company with a full-cycle licence portfolio.

After 36 years in ExxonMobil, I now look forward to applying my experience to help Point Resources attain the goals set for the Company, and most of all, I look forward to solving new challenges together with our dedicated and highly-skilled organisation. The activities we are planning in Norway's oldest licence area symbolise the potential still present on the NCS. PL 001 is far from an industry sunset.

We are excited about this journey and look forward to 2018.

Morten Mauritzen
CEO, Point Resources

Our history

ExxonMobil

1965
Esso Exploration awarded PL 001 (Balder licence)

1999
Balder and Jotun fields production start-up

2003
Ringhorne field production start-up

2013-2016
3rd Balder drilling campaign successfully completed

core energy

2010
Established by HitecVision

HITECVISION

2011
Acquisition of Brage, Hyme and Snorre fields

2013
Acquisition of Bøyla field

Bauge discovery

SPIKE XPLORATION

2012
Established by HitechVision

HITECVISION

2013
Acquisition of Bridge Energy

2014
Fenja discovery

PURE

ROCKSOURCE

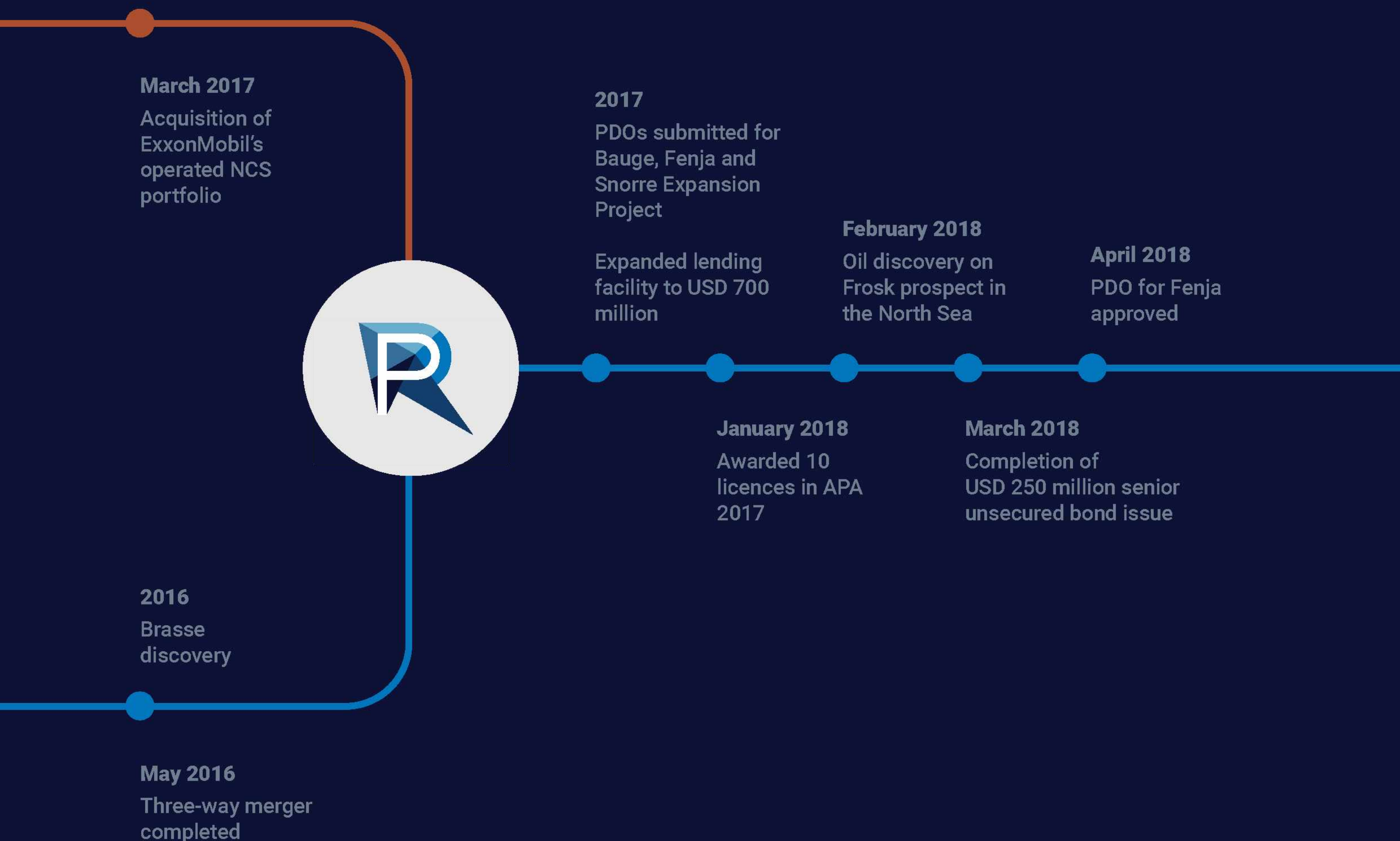
1996
Established

2014
Fenja discovery

2015
Public takeover and renamed by HitecVision [1)]

HITECVISION

1) Pure E&P established following the acquisition of publically listed Rocksource ASA



Point Resources was established early 2016 following the merger of Pure E&P, Core Energy and Spike Exploration. In March 2017, ExxonMobil and Point Resources signed a sales and purchase agreement for the acquisition of the ExxonMobil-operated fields Balder, Ringhorne and Ringhorne East on the Norwegian Continental Shelf (NCS). These transactions have turned Point Resources into an operator and an independent mid-sized Norwegian E&P company with a full-cycle licence portfolio.

Five core strategic activities

Point Resources has five core strategic activities that are key to create value and realise the Company's ambition to become a leading and profitable E&P company on the NCS. Our values guide us in our daily work, and HSSE is the foundation of all operations at all levels through the organisation.

Our five core strategic activities

Maximise value from production

- Safe and efficient operations
- Maintain operational excellence for producing assets
- Deliver infill wells and lifetime extension programs to increase oil recovery and extend field lifetime
- Improve cash flow through optmisation projects and debottlenecking

Mature key developments

- Mature key development projects towards final decision, and optimise timing
- Recycle cash flow in attractive develop-ment projects
- Reduce project cost and break-even levels
- Focus on low technical risk through subsea tie-backs to existing infrastructure

Portfolio optimisation

- Continuous optimi-sation of portfolio, balance sheet and fiscal position
- Strengthen positions and align interests in NCS core areas
- Monetise non-core assets and diversify risk
- Evaluate swap candidates, delivering near-term production
- Screen attractive appraisal assets

Selective exploration

- Target high value barrels through near-field exploration in core areas close to infrastructure
- Leverage subsurface competence in known core areas
- Ensure optionality through limited committments

M&A growth

- Design bespoke packages by proactively approaching targets
- Target material growth through near-term production assets with upside potential
- Seek operatorship positions to extract operational and organisational synergies
- Focus on near term cash flow and seek financial and tax synergies

Our values

One competent team pursuing ambitious goals with courage and integrity

Health, Safety, Security and Environment

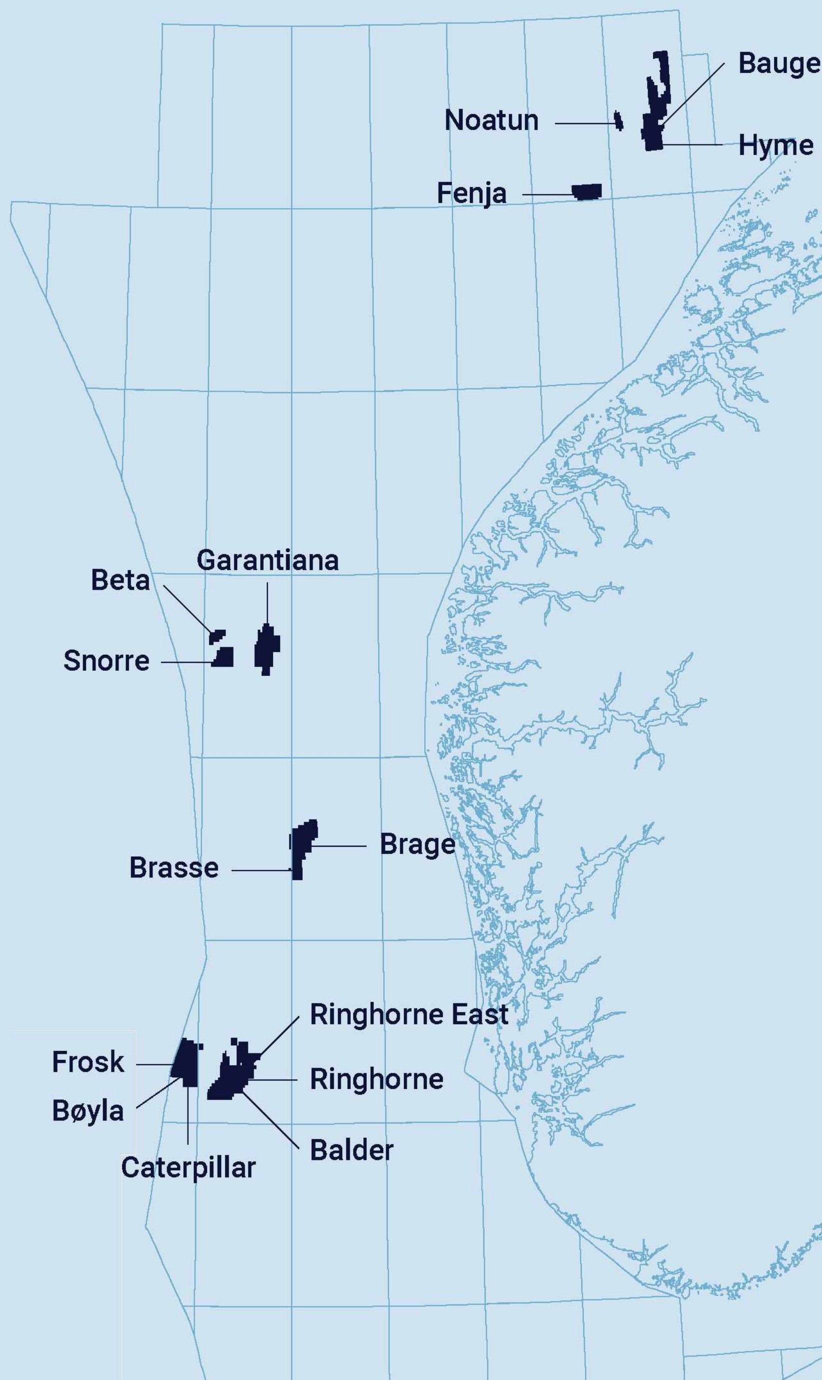
HSSE is the foundation in all operations at all levels through the organisation

A robust balance sheet and capital structure

- Backed by leading O&G private equity investor HitecVision
- Flexibility in investment program through operatorship and majority ownerships
- Expanded lending facility (RBL) to USD 700 million with USD 350 million accordion
- USD 250 million senior unsecured bond issued in 2018
- Conservative and active hedging and insurance policy protecting downside risk

A diversified portfolio focused on four proven core areas

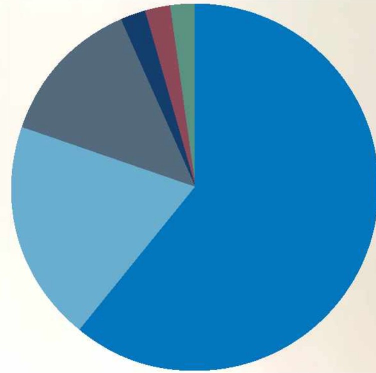
Point Resources is a pure play NCS company with a concentrated portfolio in four core areas. The portfolio consists of assets that are set to grow production organically to over 90 000 barrels per day by 2022.

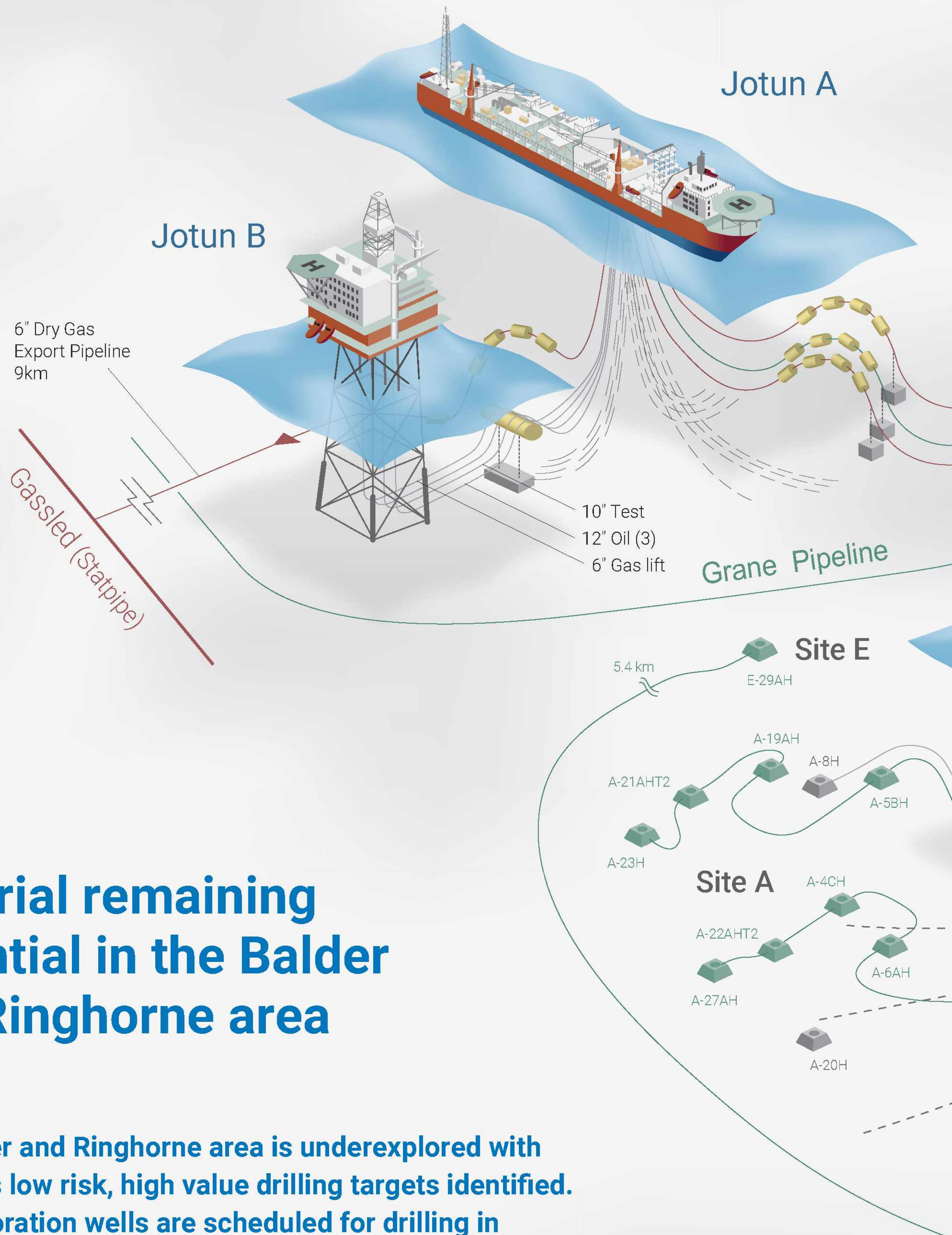


Field name	Status	Four core areas	Ownership
Balder	Producing	Balder area	100.00 %
Ringhorne	Producing	Balder area	100.00 %
Ringhorne East	Producing	Balder area	77.40 %
Bøyla	Producing	Balder area	20.00 %
Hyme	Producing	Njord area	17.50 %
Brage	Producing	Brage area	12.30 %
Snorre	Producing	Tampen area	1.10 %
Fenja	Development	Njord area	45.00 %
Bauge	Development	Njord area	17.50 %
Brasse	Near-term development	Brage area	50.00 %
Garantiana	Near-term development	Tampen area	30.00 %
Frosk	Near-term development	Balder area	20.00 %
Beta	Other discoveries	Tampen area	20.00 %
Caterpillar	Other discoveries	Balder area	20.00 %
Noatun	Other discoveries	Njord area	5.00 %

Full year 2017 net production per field boepd

Balder	28 292 boepd
Ringhorne	9 227 boepd
Ringhorne East	5 613 boepd
Brage	1 084 boepd
Snorre	933 boepd
Bøyla	1 344 boepd

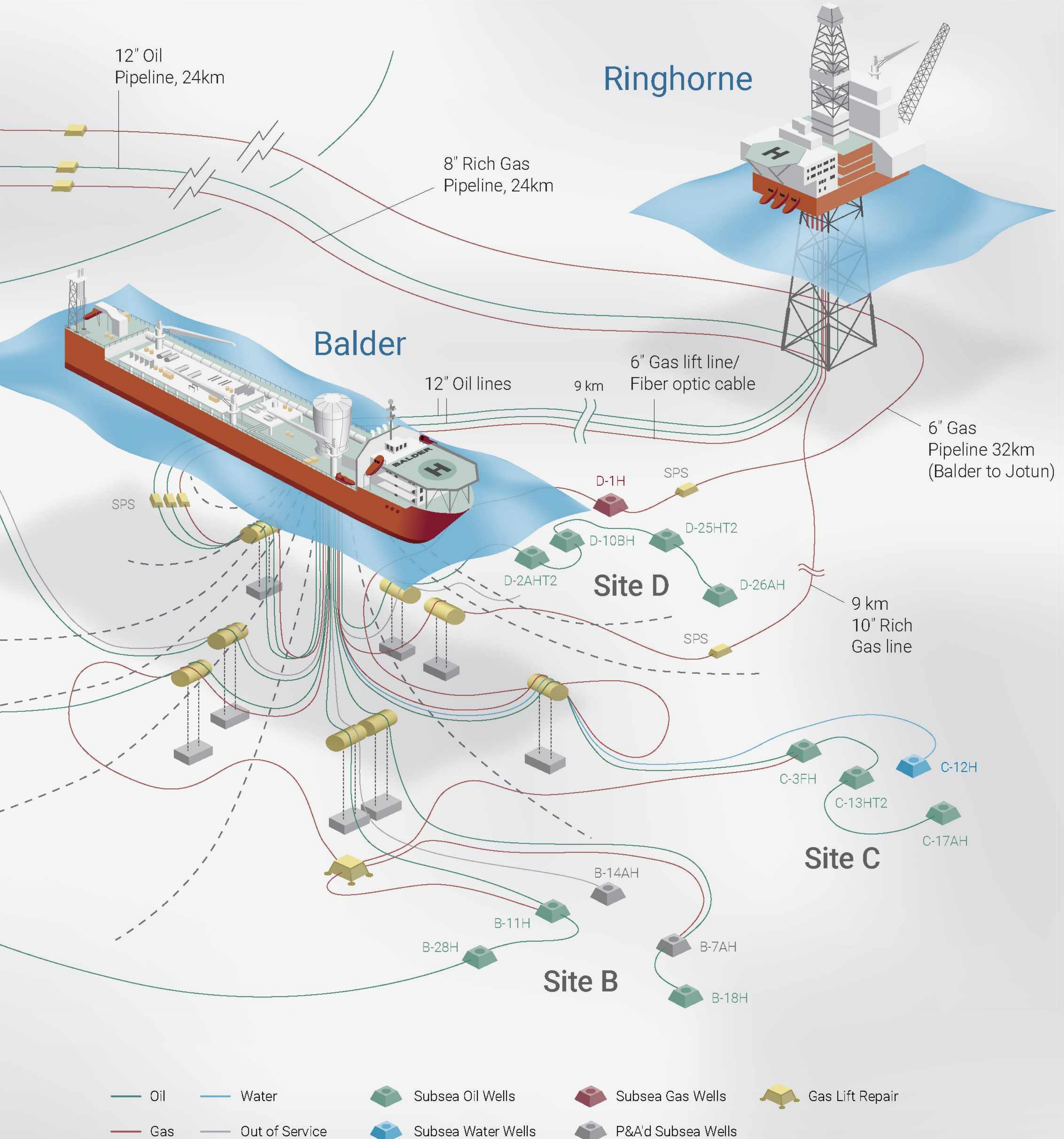




Material remaining potential in the Balder and Ringhorne area

The Balder and Ringhorne area is underexplored with numerous low risk, high value drilling targets identified. Two exploration wells are scheduled for drilling in 2019 and an area study is ongoing to further optimise infrastructure utilisation, maximise field recovery and prolong field life.

Balder and Ringhorne area
An integrated operation across three producing fields – Balder, Ringhorne and Ringhorne East. The infrastructure provides flexibility and risk mitigation as Ringhorne production can be transported and processed at both the Balder and the Jotun FPSOs.



Balder

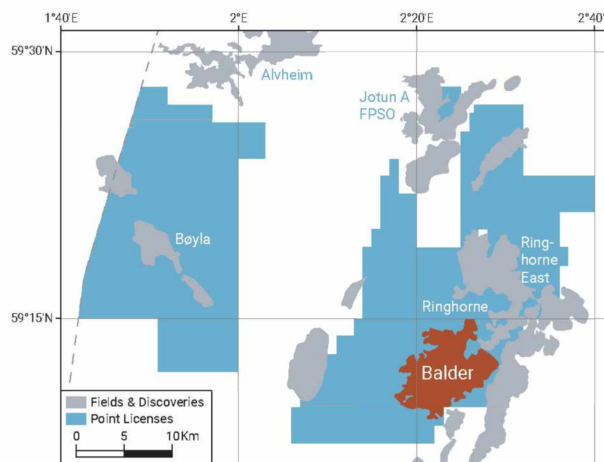
Status: Producing

Asset description

The Balder field is located in PL 001 – the very first licence awarded on the NCS with first exploration drilling and first oil discovery. To extend production and field lifetime, several seismic surveys, drilling programs and modifications have been completed and further development plans are currently ongoing. The field's historical uptime is 97-98 percent.

The Balder field is developed with a floating production, storage, and offloading vessel (FPSO) and several subsea production systems. The field is located approximately 190 kilometres northwest of Stavanger. Production commenced in 1999 and, Balder exports gas to Statpipe via the production vessel Jotun A.

By year-end 2017, the Balder field had produced 225 million barrels of oil.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL001 PL028	Point Resources (100 %, operator)	1967	1999	48.8 mmboe	48.6 mmboe

Ringhorne

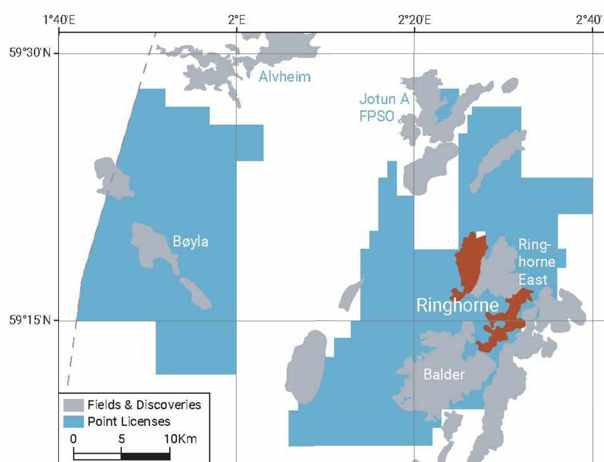
Status: Producing

Asset description

The Ringhorne field is located about 9 kilometres northeast of the Balder FPSO and includes a platform with initial processing and water injection capabilities. Production of oil and gas is routed to the Balder and Jotun installations for final processing, storage and export.

Production commenced in 2003. Ringhorne is equipped with advanced technology and automated drilling equipment and the drillbit can be steered with high precision, making it possible to hit small targets many kilometres away. A new drilling campaign from the Ringhorne platform is currently being planned.

By year end 2017, the Ringhorne field had produced 206 million barrels of oil equivalent.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL001 PL027	Point Resources (100 %, operator)	1997	2003	51.0 mmboe	45.1 mmboe

Balder FPSO

Ringhorne East

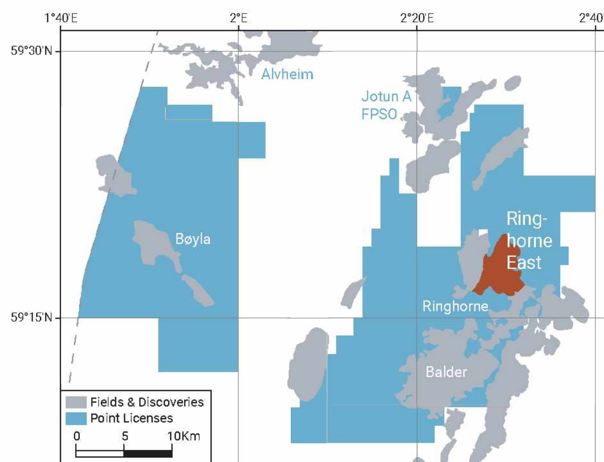
Status: Producing

Asset description

The Ringhorne East field is located in PL 027 and PL 169 E on the Utsira High. Ringhorne East is developed with four wells from the Ringhorne platform. Production commenced in 2006.

By year end 2017, the field had produced 80 million barrels of oil equivalent.

A drilling campaign is initiated with two additional Ringhorne East production wells in 2019.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL027 PL169E	Point Resources (77.38 %, operator), Statoil (14.82 %), Faroe (7.8 %)	2003	2006	23.4 mmboe	1.3 mmboe

Bøyla

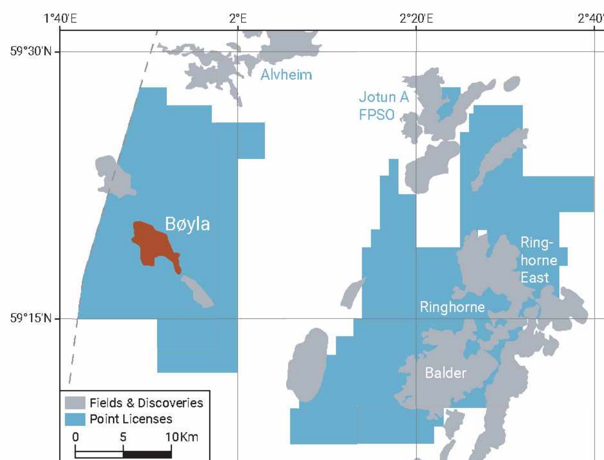
Status: Producing

Asset description

The Bøyla field is located in PL 340 and PL 340 BS, 28 kilometres south of the Alvheim field in the North Sea.

Bøyla is developed with a subsea manifold with two oil producers and one water injector. The field is tied back to the Alvheim FPSO, where oil is exported by shuttle tankers and gas is exported through the subsea gas transport system to St. Fergus.

By year-end 2017, the field had produced 12 million barrels of oil equivalent.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL340	Aker BP (65%, operator), Point Resources (20 %), Lundin (15 %)	2009	2015	1.7 mmboe	-

Hyme

Status: Producing

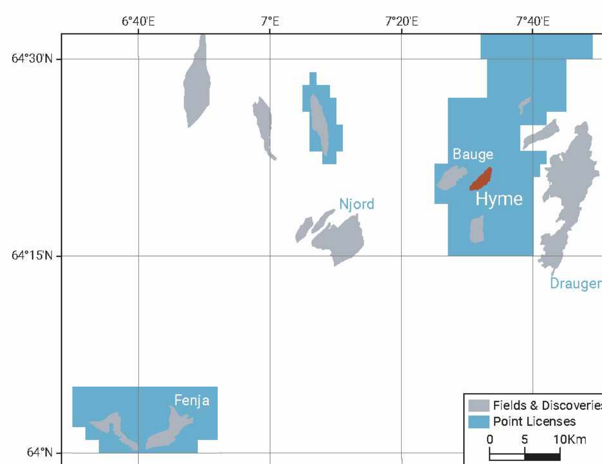
Asset description

The Hyme field is located in PL 348 in the Haltenbanken area of the Norwegian Sea.

The field is developed with a subsea template, tied back to the Njord field. Oil is exported through the Njord B facility, while gas is transported through the Åsgard transport system.

By year end 2017, the field had produced 15 million barrels of oil equivalent.

Production is expected to resume in 2020 after completion of the Njord Future Project. The initial production commenced in 2013.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL348	Statoil (35 %, operator), DEA (27.5 %), Point Resources (17.5 %), Engie (10 %), Faroe (7.5 %), VNG (2.5 %)	2009	2013	2.5 mmboe	0.3 mmboe

Brage

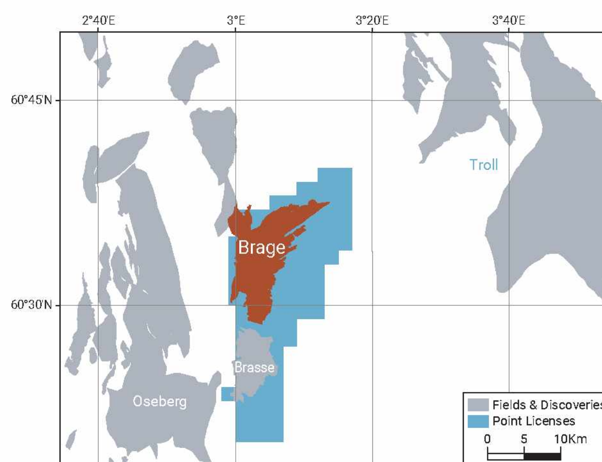
Status: Producing

Asset description

The Brage field is located in PL 053 B, PL 055, PL 055B, PL 055 D and PL 185 in the northern part of the North Sea.

The field is developed with an integrated production, drilling and accommodation platform with 40 well slots. Oil is exported to the Sture terminal, while gas is exported via the gas transport system through Statpipe. Production commenced in 1993 with a historical uptime of 95 percent.

By year end 2017, the field had produced 406 million barrels of oil equivalent.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL053B PL055 PL185	Wintershall (35.2 %, operator), Repsol (33.8 %), Faroe (14.3 %), Point Resources (12.3 %), VNG (4.4 %)	1980	1993	4.3 mmboe	4.0 mmboe

Snorre

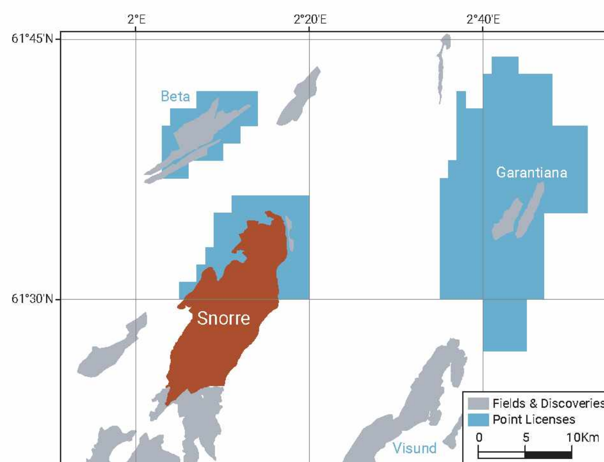
Status: Producing

Asset description

The Snorre field is located in PL 057 and PL 089 in the Tampen Area of the North Sea.

The field is developed with two integrated drilling and production facilities. Snorre A is a tension leg platform with 45 dry well slots, while Snorre B is a floating production unit with 28 subsea slots. Production commenced in 1992.

By year end 2017, Snorre had produced 1,436 million barrels of oil equivalent.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL057 PL089	Statoil (33.3 %, operator), Petoro (30 %), ExxonMobil (17.4 %), Idemitsu (9.6 %), DEA (8.6 %), Point Resources (1.1 %)	1979	1992	6.3 mmboe	0.6 mmboe

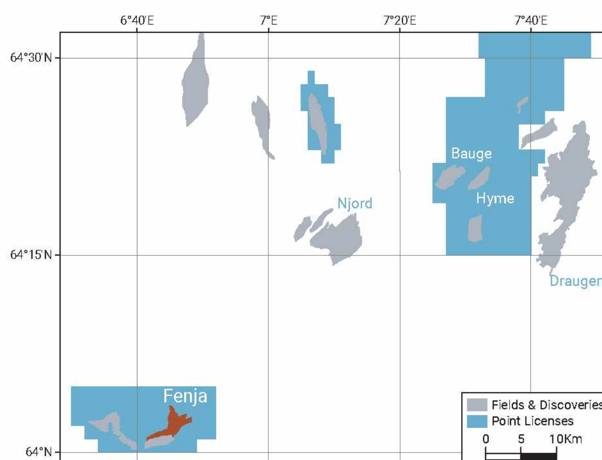
Fenja

Status: Development

Asset description

The Fenja discovery in PL 586 is located in the Haltenbanken area in the Norwegian Sea.

A Plan for development and operation was submitted in December 2017, and approved March 2018. The discovery is planned to be developed as a subsea tie-back to the Njord A facility, with gas export through the Åsgard gas transport system and oil export via the Njord B facility.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL586	VNG (30 %, operator), Point Resources (45 %), Faroe (25 %) [1)]	2014	2021	42.8 mmboe	7.0 mmboe

1) 17.5 % WI will transfer to Suncor Energy upon completion of the announced acquisition from Faroe Petroleum

Ringhorne platform

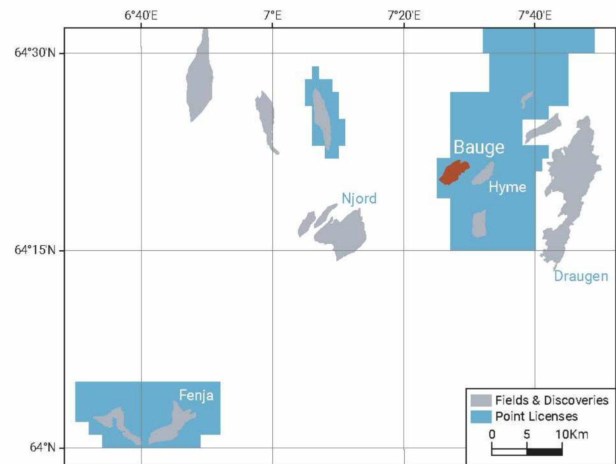
Bauge

Status: Development

Asset description

The Bauge discovery is located in PL 348 in the Haltenbanken area of the Norwegian Sea.

A Plan for development and operation (PDO) was submitted and approved in 2017. The discovery is being developed as a subsea tie-back to the Njord A facility, with gas export through the Åsgard gas transport system and oil export through the Njord B facility.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL348	Statoil (35 %, operator), DEA (27.5 %), Point Resources (17.5 %), ENGIE (10 %), Faroe (7.5 %), VNG (2.5 %)	2013	2020	12.8 mmboe	-

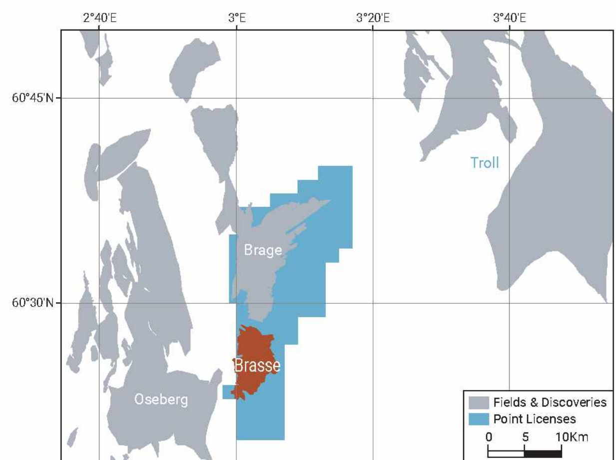
Brasse

Status: Near-term development

Asset description

The Brasse oil and gas discovery in PL 740 B is located in the northern part of the North Sea.

The plan is to develop the field with a subsea template tied to a nearby production facility. Host selection is planned for 2018.



Field facts

Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL740	Faroe (50%, operator), Point Resources (50%)	2016	2021	-	36.7 mmboe

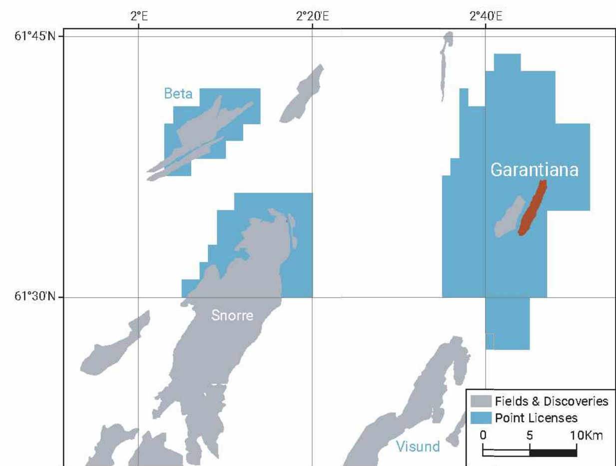
Garantiana

Status: Near-term development

Asset description

The Garantiana discovery in PL 554 is located in the northern part of the North Sea.

The field is planned to be developed as a subsea field with tie-back to an existing production facility. Host selection is planned for 2018.



Field facts

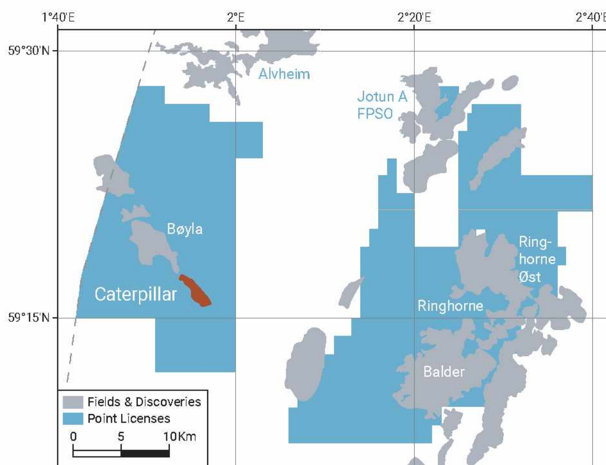
Licences	Owners	Discovered	Production start	2P reserves	2C resources
PL554	Statoil (40 %, operator) [1),] Point Resources (30 %), Aker BP (30 %)	2012	2021	-	21.9 mmboe

1) Operatorship will be transferred to Statoil upon closing of the acquisition from Total

Other discoveries

Caterpillar

20 percent ownership interest

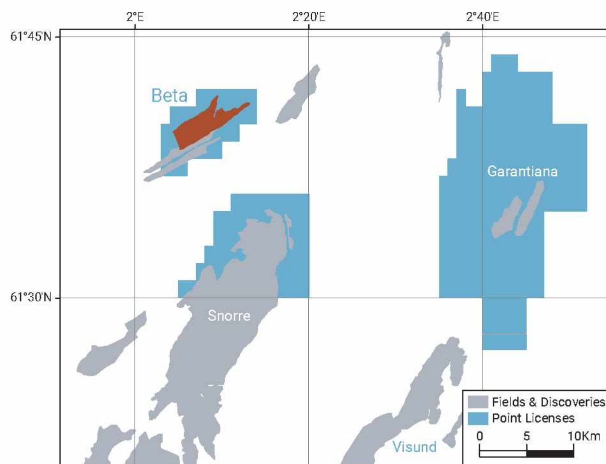


Asset description

- Oil discovery located south east of Bøyla in the Alvheim area
- Discovered in 2011
- Operated by Aker BP
- Gross recoverable reserves of 8 mmboe [1]
- Likely subsea well tied back to the Bøyla manifold

Beta

20 percent ownership interest



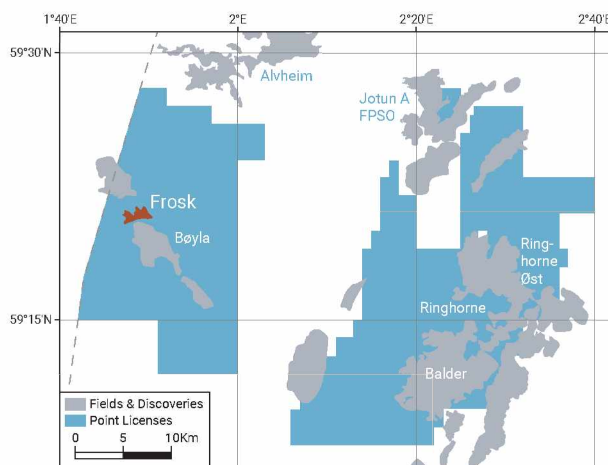
Asset description

- Oil discovery located north of the Snorre field
- Discovered in 2000
- Operated by Suncor
- Gross recoverable reserves of 28 mmboe [1]
- Likely subsea tieback to the Snorre B platform

1) Operator estimates

Frosk

20 percent ownership interest

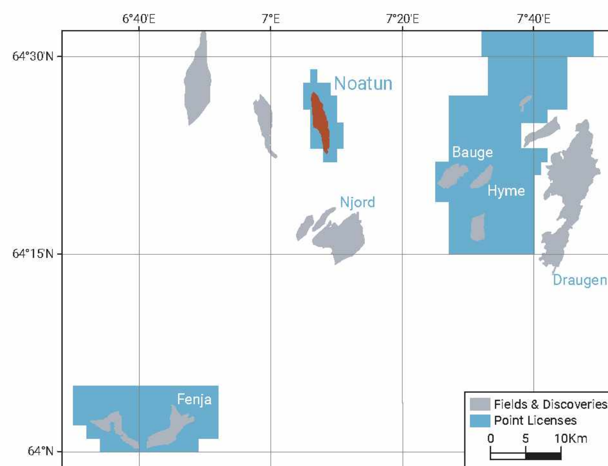


Asset description

- Oil and gas discovery in PL340 (also contains the Bøyla field)
- Discovered in 2018
- Operated by Aker BP
- Preliminary discovery size of 30-60 mmboe [1)] gross resources
- Potential tie-back to Alvheim through the Bøyla facilities

Noatun

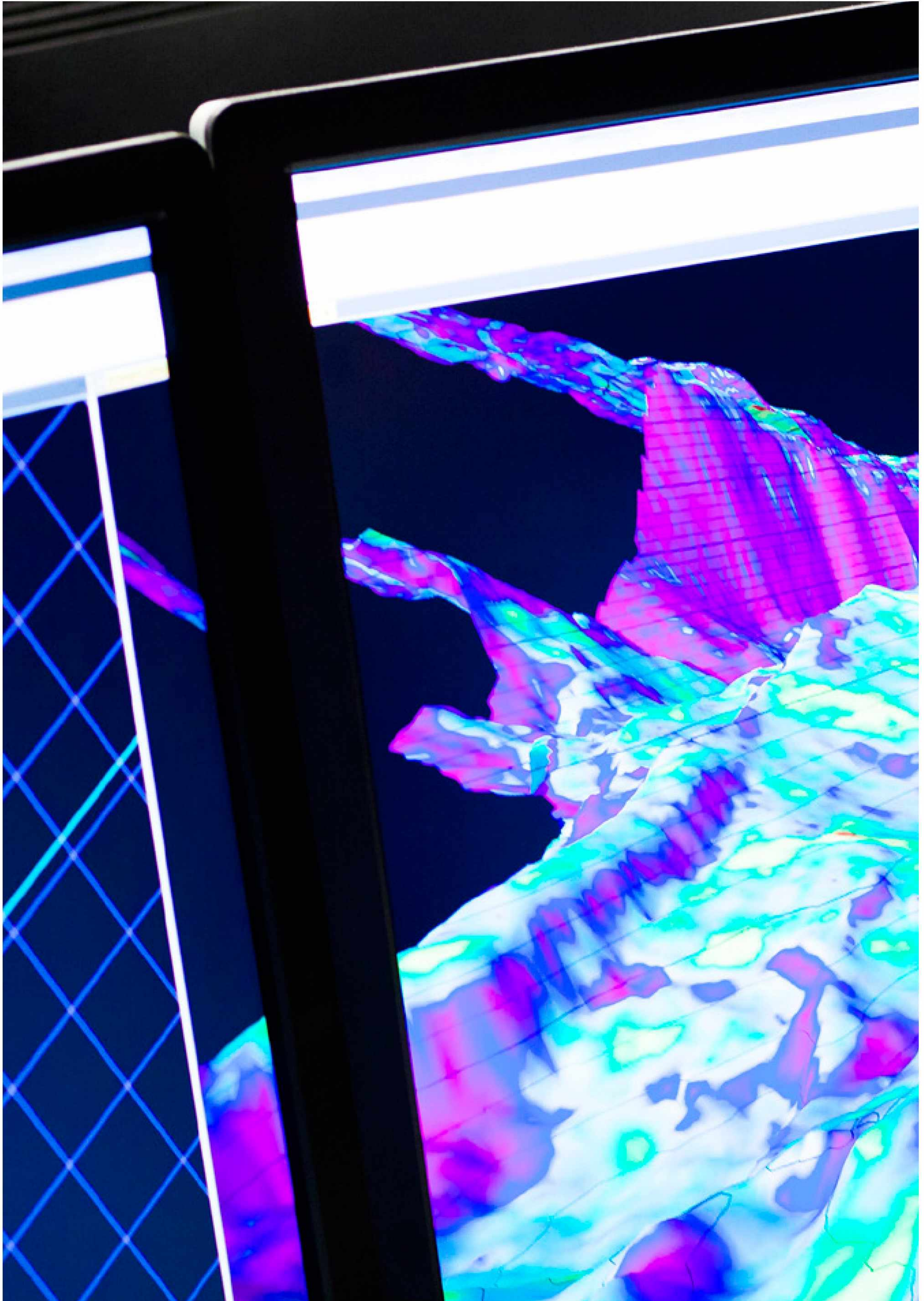
5 percent ownership interest



Asset description

- Gas discovery located north of Njord
- Discovered in 2008
- Operated by Statoil
- Gross recoverable reserves of 28 mmboe [1)]
- Likely subsea well tied back to Njord

1) Operator estimates



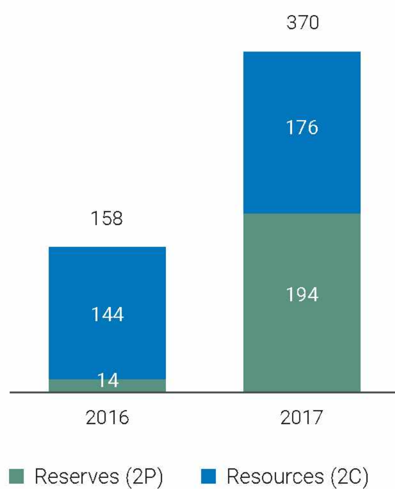
Reserves and resources

Point Resources has an oil-weighted portfolio of 369.5 million barrels of oil equivalents (mmboe) of reserves and resources.

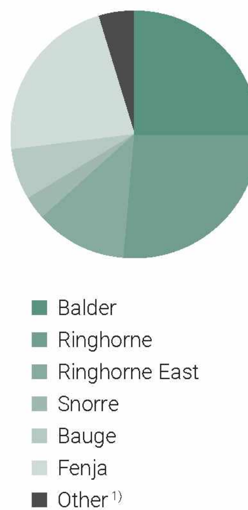
Point Resources' combined reserves (2P) and resources (2C) base increased by 211.8 mmboe in 2017 compared to 2016. The increase is mainly explained by the ExxonMobil acquisition. The largest reserves and resources are located in the operated and producing fields, Balder and Ringhorne, and in Bauge and Fenja which are fields under development.

2P is P50 for Proved and probable reserves, while 2C is P50 best estimate of contingent resources. For more details on the Company's reserves and resources, please see Annual Statements of Reserves 2017 report published on www.pointresources.no.

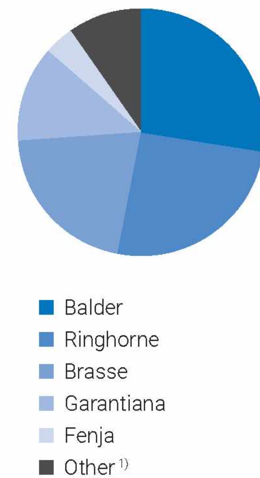
Reserves and resources mmboe



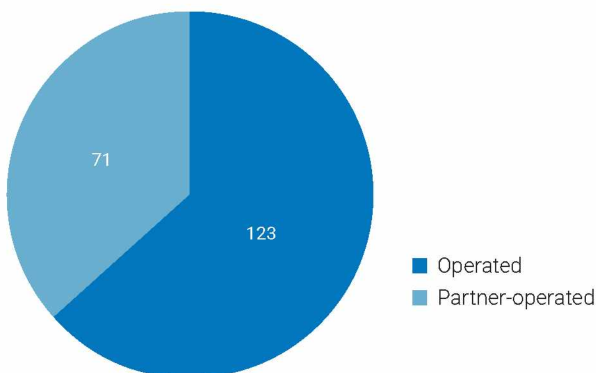
Reserves end of 2017 (2P)



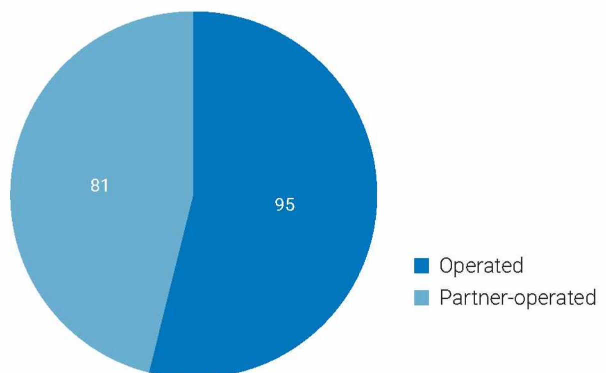
Resources end of 2017 (2C)



Reserves end of 2017 (2P) mmboe



Resources end of 2017 (2C) mmboe



1) Other category contains fields with less than 5 mmboe

Executive Management

Morten Mauritzen

CEO

Morten Mauritzen has more than 35 years of experience working in the oil and gas industry. Before joining Point Resources, he was the Managing Director for Esso Norge AS and the Lead Country Manager for ExxonMobil's subsidiaries in Norway. Morten Mauritzen has had numerous technical and managerial positions with ExxonMobil, both in Norway and globally. Before assuming his role in Norway, he was the Lead Country Manager for ExxonMobil in the United Arab Emirates, based in Abu Dhabi. He joined Esso Norge AS in 1982 after graduating with a MSc. Degree in Marine Technology at the Norwegian University of Science and Technology in Trondheim in December 1981.

Thomas Bjørgo

Chief Financial Officer

Thomas Bjørgo has more than 15 years of experience working with the oil and gas industry. He joined Point Resources from the position of CEO of Core Energy, an oil and gas company he co-founded in 2010 and where he also held the position of CFO for five years. Bjørgo has worked in the oil and gas industry as an advisor and investment banker. He has advised numerous E&P companies on a large number of asset transactions and M&A deals and assisted in several OSE listed E&P companies raise equity. Prior to Core Energy, Bjørgo held the position as Director in RS Platou Markets. He holds a MSc degree in Business and Economics.

Kristin Kragseth

Vice President Production

Kristin Kragseth has more than 25 years of experience working within the oil & gas industry for ExxonMobil. Previously, she was the technical manager for ExxonMobil's operated assets on the Norwegian Continental Shelf. Kristin Kragseth has held numerous positions within ExxonMobil, both in Norway and globally. In her early days in ExxonMobil, she worked on assignments for the ExxonMobil Upstream Research Center in Houston, West Africa Planning in London and Jotun Project Lead in Holland. Later, she has filled various management roles, including Operations Superintendent, SSHE Manager and Public & Government Affairs Manager. Kristin Kragseth holds an MSc degree in Marine Engineering from Texas A&M University.

Ingar Haugetraa

Vice President Partner Operated Assets

Ingar Haugetraa has more than 30 years of experience working with the oil and gas industry. He joined Point Resources from the position as VP Facilities & Operations in Core Energy, an oil and gas company he co-founded in 2010. Prior to this, he held the position as Project Integration Manager Cessation in ConocoPhillips Norway. Haugetraa started his career in Phillips in the early 1980s. From there, he joined Conoco and worked as a Commercial and Business Development Manager. Thereafter, Ingar Haugetraa was Asset Manager for ConocoPhillips for fields such as Troll, Heidrun, Huldra and Ekofisk Hotel Project. Haugetraa holds a BSc degree in Mechanical Engineering as well as a MBA.

Rolf Chr. Evensen

General Counsel

Rolf Chr. Evensen comes from the position as Counsel in Esso Norge AS, at Forus. He assisted both the upstream and downstream businesses in ExxonMobil, Norway. After graduating from the University of Bergen and the University of Southampton (LL.M) in 2007, he commenced his career in the law firm Schjødt, where he worked with a large variety of assignments related to the oil and gas industry, both for national and international E&P companies. Evensen has also worked as an attorney in Lyse Energi AS, before taking on the role in Esso Norge AS in 2013.

Astrid Huglen

Vice President Business Services

Astrid Huglen joins Point Resources from the position as Vice President for Employee and Industrial Relations in Statoil, a position she has held from August 2016. She has 18 years of experience, whereas the last 12 years from the oil and gas industry. She has held several leadership positions in Statoil, hereby within areas as operations technology, maintenance management, business development and human resources. Prior to Statoil she worked for Norsk Hydro O&G and Bergen University College within HR and Finance. Huglen holds a Master's Degree in Administration and Organisation Theory from University of Bergen and has further education within project management and employment law.

Dag Heiret

Vice President Health, Safety, Security and Environment

Dag Heiret has more than 35 years of experience from the oil and gas industry. He joined Point Resources from his previous role as Safety, Security, Health and Environment Manager for ExxonMobil in Norway, a position he has held since 2011. Dag Heiret started to work for ExxonMobil in 1981 and has held numerous technical, operational and management positions, both in Norway, the US and the UK. He graduated from NTNU in Trondheim in 1980 with a Master's degree in Petroleum Technology.

Tord Pedersen

Vice President Exploration & Subsurface

Tord Pedersen has more than 30 years of experience working with the oil and gas industry. He joined Point Resources from the position as VP Sub-surface in Core Energy, an oil and gas company he co-founded in 2010. Prior to this, he held the position as Managing Director of VNG Norge from 2009, the same position he held with Endeavour Energy Norway since 2005. From 2001 he worked for ConocoPhillips in the Middle East and Norway as Business Development Manager. Prior to this, he worked 11 years for Saga Petroleum (Norsk Hydro) with international business development. Tord Pedersen started his career as a geologist with Conoco in Norway and internationally. He holds a MSc degree in Geology.

Christopher Teesdale

Vice President Drilling

Chris Teesdale has 35 years of experience from the oil and gas industry. He established his own oil and gas consulting company in 2017. Prior to this, he was VP of Wells in the North Sea Region in BP. He has also held several other positions in BP from 1995 to 2017, working with a variety of fields with numerous responsibilities. Teesdale has also worked as a senior drilling engineer for Norsk Agip and drilling engineer for Shell Oman. Chris Teesdale holds a BSc in Offshore Engineering from Herriot Watt University in the UK

Board of Directors

Inge K. Hansen

Chairman of the Board

Inge K. Hansen has held several distinguished positions in a long business career, such as CFO and acting CEO of Statoil, and as CEO of Aker Kværner. Inge K. Hansen currently chairs the Boards of several companies, including Troms Kraft AS, Hotel and Restaurant Continental AS and Arctic Securities AS. He is also a Board member of Fram Museum and Chairman of the Board of Sissener AS. Inge K. Hansen was awarded the prominent Nordic Chair of the Year in 2012. He holds a degree in Economics and Business Administration (Siviløkonom) from the Norwegian School of Economics (NHH).

Timothy Bushell

Board member

Timothy Bushell is a qualified geologist with more than 30 years of experience in the international oil and gas industry. Most recently, Timothy Bushell was CEO of AIM-listed Falkland Oil & Gas. He is also one of the co-founders of Core Energy AS. Prior to this, Timothy Bushell was Managing Director of Paladin Resources Norway from 2001 until the company was acquired by Talisman (later Repsol) in 2006. Prior to this, he held different managerial positions in Lasmo. Timothy Bushell is currently serving as a Non-Executive Director on the Boards of three UK listed companies; Rockhopper Exploration PLC, Petro Matad Limited and Genel Energy.

Pål M. Reed

Board member

Pål M. Reed has extensive experience within finance and investment and holds the position as Senior Partner and Deputy CEO of HitecVision, a position he has held since 2005. Prior to this, he was Chief Investment Officer of Argentum Fondsinvesteringer, the Norwegian State's PE fund investor managing approximately NOK 10 billion under management. His previous experience includes a number of years heading private investment companies, such as First Vice President in the Kreditkassen bank, working with structured finance; and partner and managing director of companies in the Pareto Group, a leading Norwegian investment bank. Pål M. Reed is educated at the Norwegian School of Economics and Business Administration and at the universities of Oslo, Bergen and Paris Sorbonne.

Øivind Reinertsen

Board member

Øivind Reinertsen has over 40 years of experience from the oil and gas industry, of which 38 years in Statoil. During his career with Statoil he has held several leading positions, most recently being responsible for the Johan Sverdrup field development from discovery until approval of PDO. Prior to this, he held numerous positions within Statoil in Norway such as SVP for the Tampen area, VP for the Sleipner and Gullfaks production, Platform Manager and Hook up and Commissioning Manager for the Sleipner development. In 2005 he was appointed President of Statoil North America, responsible for re-establishing Statoil's footprint in the North American upstream activities. Øivind Reinertsen holds a Petroleum Engineer graduation from the University of Stavanger in Norway.

Ole Ertvaag

Board member

Ole Ertvaag has nearly 30 years of experience from the oil and gas industry and is Founding Partner and CEO of HitecVision. He joined HitecVision's predecessor Hitec in 1989, and held the position as CFO and later also as COO. In addition to operational, financial and accounting responsibilities, Ole Ertvaag headed Hitec's M&A activities and was in charge of structuring and negotiations of transactions. He has led all the IPOs undertaken by Hitec and HitecVision, and has been instrumental in most investments and trade sales carried out through the Hitec system since the early 1990s. Ole Ertvaag holds a Business degree from the Norwegian School of Management.

Jan Harald Solstad

Board member

Jan Harald Solstad is Senior Partner in HitecVision. Jan Harald has been a well reputed strategic and financial advisor to the oil industry for more than a decade. He is a co-founder of Core Energy AS and currently holds a position as Senior Partner in HitecVision. Starting his career with Conoco Norway Inc., in 1991, he worked as an Economist and Business Analyst and later as an Oil Trader in London. From Conoco Norway, he joined EY as Senior Manager of Corporate Finance for a period of four years and then went on to establish an E&P advisory boutique, SB Finans in Oslo. The company later became part of the investment bank RS Platou Markets where he held the position as Head of Oil & Gas for several years, prior to co-founding Core Energy. Jan Harald Solstad holds an MSc degree in Business and Economics from the University of Nordland.

Øyvind Evensen

Board member

Øyvind Evensen has filled numerous positions within economy, finance, treasury, controls and project management for ExxonMobil since 2006, and he has worked for both the downstream and upstream businesses. Øyvind Evensen has been an employee representative throughout the last eight years. In 2005, he completed a master's degree in international business at the Queensland University of Technology in Australia.

Stig-Roar Olsen

Board member

Stig-Roar Olsen has more than 35 years of experience from the oil and gas industry. He joined Point Resources from the position as Asset Manager in Core Energy. Before this, he was the VP for HSE in Statoil's corporate organisation. Stig-Roar Olsen started his career in Mobil Exploration Norway Inc. in 1981 within drilling, and he was employed in Statoil after the transfer of operatorship at the Statfjord field in 1987. Stig-Roar Olsen has filled numerous positions within technology and management in Statoil, such as drilling, reservoir and production, offshore installations manager, operations manager for the Snorre field, manager for the refinery at Kalundborg in Denmark, HR manager for the Norwegian shelf, and manager for the company's corporate HSE organisation. Stig-Roar Olsen has a master's degree within chemistry and process from the University of Science and Technology in Trondheim.

Bjørn Sætervik

Board member

Bjørn Sætervik has more than 35 years of experience from the oil and gas industry. He joined Point Resources as a senior control room operator on the Jotun A installation. Bjørn Sætervik started his career in Esso Norge AS as a process operator at the Slagentangen refinery in 1982. Later he held several positions in the offshore organisation, first at the Odin field and then the Jotun field. Bjørn Sætervik has a diploma as a process operator and was one of the early initiators of establishing a local Safe union for the offshore community at ExxonMobil-operated fields. Since then, he has filled several leading roles in the union, including the position as an employee representative in ExxonMobil's Board of Directors in Esso Norge AS. Bjørn Sætervik is the current leader of the local Safe union for the offshore community at Point Resources-operated fields.

Corporate governance

Point Resources' overall objective is to make ethical, responsible and profitable decisions, while also creating value for stakeholders. In pursuit of this objective, the Company is committed to applying a high standard of corporate governance principles.

The Company has a Corporate Governance Policy that is based on the Norwegian Code of Practice for Corporate Governance of 30 October 2014. The Corporate Governance Policy describes the Company's main principles for corporate governance and addresses the framework of guidelines and principles regulating the interaction between the Company's shareholders, the Board of Directors, the Chief Executive Officer and the Company's Executive Management.

In addition to the Corporate Governance policy, the Company has adopted the following instructions, policies and guidelines as part of its corporate governance framework:

- Instruction to the Board and CEO
- Investor Relations Policy
- Instructions for the Audit Committee
- Code of Conduct
- Instruction for handling of inside information

Point Resources AS is a private limited company, and therefore not subject to the Norwegian Code of Practice for Corporate (the "Code"). The Company's ambition is to act in accordance with the Code where it is relevant considering its owner structure. Adherence to the Code is based on the "comply or explain" principle, which means that a company must comply with all the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations.

An overview of Point Resources' adherence to the 15 principles in the Code is summarised in the table on the next page.

An overview of Point Resources' adherence to the 15 principles in the Code is summarised in the table below:

PRINCIPLE IN THE CODE	DEVIATION FROM THE CODE	EXPLANATION OF DEVIATION
1. Implementation and reporting on corporate governance	None	
2. Business activity	None	
3. Equity and dividends	None	
4. Equal treatment of shareholders and transactions with related parties		Since all shares in the Company are owned by one shareholder, certain of the recommendations in clause 4 of the Code regarding deviations from pre-emptive rights and transactions in own shares are deemed non-applicable to the Company
5. Freely transferable shares	None	Since all shares in the Company are owned by one shareholder, certain of the recommendations relating to general meetings in clause 6 of the Code are deemed non-applicable to the Company, including some of the recommendations relating to convening a general meeting, voting procedures, presence of all directors and nomination committee at general meetings, etc.
6. General meetings		Since all shares in the Company are owned by one shareholder, the recommendations in clause 8 of the Code relating to independence of board members from main shareholders, board members' share ownership, etc, are not deemed applicable to the Company
7. Nomination committee		Since all shares in the Company are owned by one shareholder, the Company has not established a nomination committee pursuant to clause 7 of the Code.
8. The Board of Directors – composition and independence		Since all shares in the Company are owned by one shareholder, the recommendations in clause 8 of the Code relating to independence of board members from main shareholders, board members' share ownership, etc, are not deemed applicable to the Company
9. Board of Directors' work, procedures and responsibility	None	
10. Risk management and internal control	None	
11. Remuneration of the Board of Directors	None	
12. Executive management remuneration	None	
13. Information and communication	None	
14. Takeovers		The recommendations in clause 14 of the Code relating to takeover bids are deemed inapplicable to the Company since it has only one shareholder.
15. Auditor	None	

Board of Directors’ report 2017

Point Resources AS has an ambition to become a leading, independent E&P company on the Norwegian Continental Shelf (NCS).

In 2017, Point Resources reached several important milestones towards achieving this goal. ExxonMobil’s operated producing assets on the NCS were combined with Point Resources’ portfolio, to create a pure-play NCS independent E&P company with a full-cycle portfolio. Point Resources is well positioned to become a leading player on the NCS.

Point Resources AS (“Point Resources”, the “Group”, or the “Company”) has identified five core strategic activities; maximise value from production, mature key developments, portfolio optimisation, selective exploration, and growth through mergers and acquisitions (M&A). These activities will continue to be of vital importance over the next years, to be able to realise the Company’s ambitions and create value for stakeholders.

Point Resources delivered on all five core strategic activities in 2017. In November, the Company successfully closed the ExxonMobil transaction, which was an important milestone. The transaction included the transfer of a diverse and multi-disciplined organisation. The new and integrated organisation enables the Company to efficiently develop its strategic position, building on ExxonMobil’s heritage of operation since 1965. The transfer of operatorship and integration process went according to plan, securing a significant production level and a robust foundation for further development of the Company.

In 2017, Point Resources took several important steps to continue future production growth. For the Bauge field (PL 348), a Plan for Development and Operations (PDO) was submitted in March, and the licence received approval from the Ministry of Petroleum and Energy (MPE) in June. In December, PDOs related to the development of the Fenja field (PL 586) and the Snorre Expansion Project (PL 057 and PL 089) were submitted to the Ministry.

Using a selective approach to exploration, Point Resources has targeted near-field opportunities in core areas, to utilise existing infrastructure. The strategy has resulted in several commercial discoveries which will be candidates for fast-track and low-cost subsea developments. The Frosk discovery near the Bøyla field, discovered in February 2018, is one of the low-cost subsea development candidates. Commercial discoveries, such as Garantiana and Brasse, have been matured further towards field development during the year. Point Resources invested significant resources in the Awards in Predefined Areas 2017 (APA) licence application round. The awards were announced in January 2018, and Point Resources was granted ten licences, including two operatorships, thereby adding significant acreage in the Company’s core areas.

With the acquisition of ExxonMobil’s producing assets Balder, Ringhorne, and Ringhorne Øst, Point Resources completed one of the largest transactions on the NCS during the year. Mergers and acquisitions, as well as portfolio optimisation initiatives, are pivotal to the future development of Point Resources. The Company is well positioned and will actively pursue M&A and portfolio optimisation opportunities.

Going into 2018, Point Resources has a robust balance sheet with a strong liquidity position and a diversified debt funding mix. The Company adheres to a conservative and active risk management policy with hedging and insurance cover to protect against potential downsides. Cash flow from the producing fields will enable investments in further growth over the coming years. Maintaining financial flexibility is a prioritised task for the Company.

The Company has identified additional growth potential in the current production portfolio, and has several projects under development. By 2022, Point Resources targets a total production level of more than 90 000 barrels of oil equivalent per day (boepd) from the current portfolio.

Corporate information

Point Resources AS is a limited-liability company incorporated and domiciled in Norway. The Company’s shares are 100 percent owned by Point Resources Holding AS. The head office is located at Grenseveien 6, NO-4313 Sandnes, Norway.

The Group comprises the following companies: Point Resources AS (Parent Company), Point Resources FPSO Holding, Point Resources FPSO AS, and PR Jotun DA.

2017 operational highlights

- No serious injuries, nor actual or high potential consequence incidents in the Company’s operations
- Step-change growth through the successful transfer of operatorship and asset ownership from ExxonMobil to Point Resources; transfer was completed 1 November
- The Company became operator of the Balder and Ringhorne fields
- Full-year daily net production was 46 492 barrels of oil equivalent (boe), up from 6 428 boe in 2016

- Year-end reserves and resources amounted to 369 million boe, an increase of 211 million boe over 2016
- The Ringhorne phase 3 infill programme, including three workovers and six infill wells, was sanctioned
- PDOs were submitted for the Bauge and Fenja fields, and for the Snorre Expansion Project
- The commercial discoveries Garantiana and Brasse were further matured towards future development

2017 financial highlights

- The Company's Reserve-Based Lending (RBL) facility was successfully refinanced with a syndicate of 12 Nordic and international banks, bringing size of the total facility to USD 700 million, with an accordion of USD 350 million. At year-end, USD 542 million was drawn on the RBL facility
- The Group has a solid cash position at year-end (USD 123 million), and an additional accessible borrowing facility from Point Resources Holding AS of USD 159 million
- Revenues increased from USD 94 million in 2016 to USD 192 million in 2017. The increase is largely attributed to the two months of production from the assets acquired in the ExxonMobil transaction
- The cost per barrel (including amortisation and depreciation) decreased from USD 40.4 to USD 30.2
- EBIT ended at USD -31 million, against USD -126 million in 2016
- If the starting date for the business combination was 1 January 2017, the Group would have had revenues of USD 812 million and EBIT at USD 221 million

Production

In March 2017, ExxonMobil and Point Resources signed a sales and purchase agreement for the acquisition of the ExxonMobil-operated fields Balder, Ringhorne, Ringhorne Øst, Jotun and Forseti on the Norwegian Continental Shelf (NCS).

The agreement included ExxonMobil's heritage of a half-century of operation through its organisation, offshore installations, and offices at Forus. Approximately 300 former ExxonMobil employees were transferred to Point Resources on 1 November as part of the transaction.

Total daily net production in 2017 taking into account full-year production from the acquired assets was 46 492 barrels of oil equivalent, whereof 43 131 originated from the operated fields, and 3 360 originated from the Company's partner-operated portfolio.

BOEPD [1]	2017	2016
Balder	28 292	-
Ringhorne	9 227	-
Ringhorne Øst	5 613	-
Brage	1 084	2 032
Snorre	933	1 061
Bøyla	1 344	2 332
Bauge/Hyme	-	1 003
Total	46 492	6 428

1) Table includes full-year production for the Balder and Ringhorne fields.

With the new asset base, Point Resources has increased its net production by eight times since last year, turning the Company into a mid-sized Norwegian E&P company, and a significant player on the NCS. By 2022, the Company is expected to organically grow its production to over 90 000 boepd.

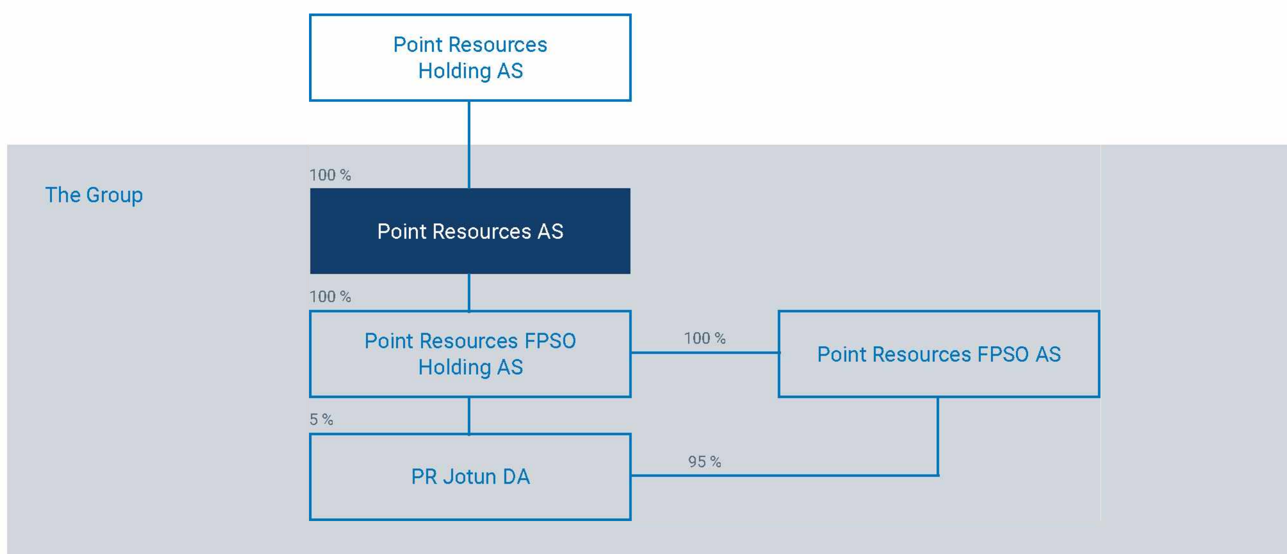
Increased production will be achieved through maturation of discoveries, development of new fields, increased oil recovery projects, new drilling campaigns, and field-life extension programmes beyond 2030.

Reserves and resources

At year-end, the reserves (2P) and contingent resources (2C) were 369 million barrels of oil equivalent.

The corresponding number at year-end 2016 was 158 mboe. The increase from 2016 is mainly explained by the acquisition of the Balder, Ringhorne and Ringhorne Øst fields.

Reserves and contingent resources per asset are provided in the table on the next page.



Development

In 2017, Point Resources participated in the submission of three PDOs to the Norwegian Ministry of Petroleum and Energy (MPE).

In March, the licencees in PL 348 submitted the PDO for the Bauge field in the Norwegian Sea to the MPE. Bauge is a subsea development, from which oil and gas will be transported to the Njord field installations for processing. The Company has an ownership interest of 17.5 percent, and the start of production is planned for 2020. In June, the MPE approved the Bauge PDO, together with an updated Njord PDO. Reserves at Bauge are estimated to be 73 million boe.

In December, the licencees in PL 586 submitted the PDO for the Fenja field to the MPE. Recoverable Fenja reserves are estimated to be 100 million boe, and Point Resources has the largest ownership interest, with 45 percent. The start of production is planned for early 2021.

Two days after submission of the Fenja PDO, the licencees in the Snorre field submitted an updated plan for development and operation to the MPE. The project, in which Point Resources has an ownership interest of 1.1 percent, is substantial and will create value for the owners for decades. The Snorre Expansion Project will extend the field's life to 2040 and beyond and will increase the field's recovery rate from 47 to 51 percent.

Exploration

During 2017, the Company participated in the drilling of two exploration wells and one successful appraisal well. The latest exploration well on the Frosk prospect in PL 340 in the North Sea was spudded on 29 December and completed in February 2018. This well, together with two side-tracks, proved an oil discovery with significantly larger reserves than the pre-drill estimates. Point Resources holds a 20 percent ownership share in the Frosk discovery.

Exploration activities in 2018 will focus on maturing prospects in existing licences and identifying new drilling prospects in licences awarded in the APA 2017. The Company will also work on the application for new licences in the APA 2018. A key activity is preparation for the drilling of two exploration wells in the Company-operated area on the Utsira High, near the Balder and Ringhorne fields. According to the current plan, drilling operations will take place in 2019. In addition, the Hornet prospect in PL 777 in the North Sea is being prepared for exploration drilling in the second half of 2018.

Consolidated financial results for the year

On 1 November 2017, the Group acquired ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS. The acquisition is recorded in the 2017 financial statements as a business combination, and for accounting purposes the income statement reflects the acquired operation from 1 November 2017. The unaudited pro-forma statements include revenues and costs for the full year. For balance sheet impacts from the acquisition, see note 2.1 Business combinations.

Changes in accounting methods

For the year ended 31 December 2017, the Group elected to change methods of accounting revenues from production of oil and gas, from the entitlement method to the sales method. The change did not have any material impact and, accordingly, comparative information has not been restated. For more information, see note 1.4.

Consolidated statements of income

The Group's income from the sale of crude oil, gas and NGL in 2017 was USD 192.3 million, compared with USD 94.0 million in 2016. The year-over-year increase in petroleum revenues comes as a result of the acquisition of ExxonMobil's operated upstream business in Norway, as well as of higher oil prices realised in 2017.

Total volumes sold in 2017 amounted to 3.373 million boe, at a realised average price per boe of USD 57.01. In 2016, the volume

	2017			2016
RESERVES AND RESOURCES (MMBOE)	2P	2C	2P + 2C	2P + 2C
Balder	48.8	48.6	97.4	-
Ringhorne	51.0	45.1	96.1	-
Ringhorne Øst	23.4	1.3	24.7	-
Bøyla	1.7	-	1.8	4.3
Brage	4.3	4.0	8.3	8.0
Snorre	6.3	0.6	6.9	7.4
Hyme	2.5	0.3	2.8	2.7
Total producing assets	138.0	99.9	238.0	22.4
Bauge	12.8	-	12.8	13.0
Fenja	42.8	7.0	49.7	47.9
Total sanctioned developments	55.6	7.0	62.5	60.9
Brasse	-	36.7	36.7	33.5
Garantiana	-	21.9	21.9	32.3
Total near-term developments	-	58.6	58.6	65.8
Other	-	10.4	10.4	8.6
Total	193.6	175.9	369.5	157.7

produced was 2.352 million boe, at a realised average price per boe of USD 39.98. The operational figures are affected by the change from the entitlement method to the sales method.

Production cost (direct production cost, tariffs and transportation, direct production tax and other production costs) amounted to USD 44.8 million in 2017. The corresponding production cost for 2016 was USD 33.7 million. The production cost increase is mainly driven by the acquisition of the Balder, Ringhorne and Ringhorne Øst fields.

An increase in oil prices resulted in a loss from hedging activities on Brent Crude put options. This loss was the main contributor to a cost increase of USD 54.3 million in general & administrative (G&A) and other income and expenses, including hedging activities, when compared to 2016.

Full-year EBITDAX was USD 94.0 million, an increase of USD 32.9 million, when compared to 2016.

Net financial items amounted to USD -25.4 million in 2017, against USD -22.8 million in 2016. The increase in finance cost resulted from a combination of higher interest cost and refinancing costs following an increase in the Reserve-Based Lending Facility from USD 150 million to USD 700 million, and accretion expenses (asset retirement obligation).

Profit before net profit interest and income taxes for the period was USD -56.8 million, an increase of USD 92.5 million over 2016 (USD -149.3 million).

For a breakdown of income taxes, reference is made to note 6.1 in the consolidated financial statements. According to statutory requirements, the tax calculations have to be performed in NOK, which may have significant impact on the effective tax rate, as the financial statements have been presented in USD.

If the acquisition had taken place at the beginning of the year, revenue would have been USD 812 million, and the profit before tax for the period would have been USD 109 million. Reference is made to note 2.1 for further details.

Consolidated statements of financial position

Total assets at year-end 2017 were USD 2 853.2 million. The corresponding figure for 2016 was USD 670.5 million. The increase in total assets mainly relates to the acquisition of ExxonMobil's operated upstream business in Norway.

Goodwill increased by USD 548.1 million, of which USD 467.2 million is technical goodwill. The value of oil and gas properties increased by USD 1 227.9 million, and non-current and current receivables increased by USD 275.3 million, which mainly relates to the compensation of decommissioning costs for Jotun B from ExxonMobil as part of the transaction.

Cash and short-term deposits increased by USD 46.3 million from 2016. The Group's total liabilities were USD 2 598.8 million, compared with USD 448.9 million in 2016. The increase in total liabilities is due to the financing of the acquisition of ExxonMobil's operated upstream in Norway, where non-current interest-bearing loans and borrowings, loans from related companies, and current interest-bearing loans and borrowings increased by USD 854.3 million. The Group has also taken over the asset removal obligation related to the acquired fields, and the total current and non-current abandonment provision has increased from USD 91.9 million in 2016 to USD 1 063.0 million in 2017.

Other long-term liabilities and other current liabilities increased by USD 91.6 million and USD 30.4 million, respectively. The increases are related to deferred payments, contingent consideration, and financial lease commitments.

Other current financial liabilities increased by USD 32.5 million, and relates to hedging activities on Brent Crude put options.

Deferred tax liabilities increased by USD 109.5 million and is significantly influenced by the after-tax transaction with ExxonMobil, in accordance with § 10 of the Norwegian Petroleum Taxation Act.

Total equity increased by USD 32.9 million to USD 254.5 million, comprising new share capital issued during the year and total comprehensive income for the period. At year-end, the equity ratio was 8.9 percent of total assets.

Consolidated cash flow statements

Cash flow from operating activities was USD 130.5 million (2016: USD 71.5 million), which is substantially higher than the operating profit. The bulk of the difference relates to tax refund and depreciation of property, plant and equipment. The significant increase in cash flow generated from operating activities is also due to a combination of higher production following the acquisition of the Balder and Ringhorne fields, and higher realised oil prices than in the previous year.

The net cash flow used in investing activities amounted to USD 749.2 million, up from USD 11.3 million in the preceding year. The increase in investing activities was mainly related to the ExxonMobil transaction.

The net cash flow from financing activities amounted to USD 665.1 million, up from USD -41.1 million in 2016. The 2017 investments were financed through a combination of refinancing of the RBL facility, new equity from funds managed by HitecVision, group loans, and cash flow from operations.

The Company's cash position at year-end 2017 was USD 123.1 million, an increase of USD 46.4 million over year-end 2016.

Point Resources AS (Parent Company); annual results and allocation

Profit for the year 2017 for Point Resources AS was USD -33.9 million. The Board of Directors proposes that the profit for the year is transferred to other equity.

Financial risk

Point Resources' financial results are dependent on several factors, of which fluctuations in commodity prices and the NOK/USD exchange rates are the most significant. As experienced in 2017, shifting commodity prices and foreign exchange rates can have significant impact on financial results. Revenues are mainly denominated in USD, while a significant amount of operating expenses and income taxes accrue in NOK. Revenues are directly affected by the oil price, and the Group has partly mitigated this risk by entering into hedge structures related to the oil price. Derivatives are categorised as held for trading in the financial statement, as the Group does not apply hedge accounting. For further details, please refer to note 4.5 in the financial statements.

Going concern

One of the key objectives of the Company is to have sufficient cash, cash equivalents and loan facilities to be able to finance daily operations and investments, in accordance with its business plan and portfolio commitments.

The Board of Directors confirms that the financial statements of the Company have been prepared under the going concern assumption, in accordance with the Norwegian Accounting Act section 3-3 a. The Board of Directors is confident that the Company is well positioned to continue in operational existence, based on the current balance sheet, revenue forecast, and projected expenses.

Corporate governance and compliance

Point Resources' overall objective is to make ethical, responsible and profitable decisions, while also creating value for stakeholders. In pursuit of this objective, the Company is committed to applying a high standard of corporate governance principles.

The Company operates with a separation of roles, where the responsibilities of the shareholders, the Board, and the Company's management are clearly defined. In accordance with Norwegian corporate governance requirements, the Company's Board of Directors is independent of management. The Board of Directors ensures that there are no conflicts of interest between the shareholders, the Board of Directors, and the management.

Point Resources' governance model is based on the Norwegian Code of Practice for Corporate Governance, with consideration to its private limited company status and current shareholder structure. An overview of Point Resources' adherence to the 15 principles in the Code is summarised in Corporate Governance chapter in this annual report. A robust framework for appropriate business conduct and prudent internal control practice has been established and is outlined in the Company's Standards of Business Conduct.

An integrity due diligence procedure is in place, as outlined in the Standards of Business Conduct. More information about the Code of Conduct is available on the Company's website. The Standards of Business Conduct is equally relevant for the Company's workforce and its carefully selected business partners.

Efforts to create a Corporate Social Responsibility programme has commenced. A dedicated programme for sponsorships, contributions and similar initiatives was not included in the Company's business in 2017 but will be operational in 2018 and accounted for in next year's annual report.

Risk management and internal control

Point Resources is exposed to a variety of risks associated with oil and gas operations. Effective risk management is key to meeting the Company's strategic business objectives, but the main risk concern is the health and safety of employees and contractors.

Point Resources Management System (PRMS) is based on adoptions from the former ExxonMobil Operations Integrity System (OIMS) and the former Point Resources Management system, and accepted standards for operations and risk management for the oil and gas industry. The management system shall support safe and efficient management of business activities and risk, and ensure that strategies and business objectives are met in alignment with laws, regulations and guidelines. To ensure learning and improvement, the systems and processes are subject to continuous evaluation.

Country-by-country reporting

In accordance with the Norwegian Accounting Act and applicable regulations, Point Resources has published a document which is available on the Company's website www.pointresources.no for country- by-country payment reporting to the authorities.

Health, safety, security and the environment

As an oil and gas producer, Point Resources is exposed to a variety of operations risks. The Company is committed to creating a safe and healthy work environment, and to minimise the environmental and social impact of its business. The Board is pleased to report that no serious injuries, nor any actual or high potential consequence incidents occurred in the Company's operations in 2017.

The Company's business activities have the potential to affect the external environment, and emphasis is placed on the importance of understanding factors that pose risk to the environment. Point Resources' environmental programme is fully integrated with the planning process and execution of all activities in production, development, and exploration. Emissions to air and discharges to sea in 2017 were within the permitted limits and were reported to the authorities in accordance with regulations.

The Company's management system, the Point Resources Management System (PRMS), plays a vital role in equipping the workforce with the necessary framework to conduct operations in a safe, environmentally responsible, and ethically sound manner. The system was subject to a significant update to include processes for safe operations of the Balder, Ringhorne and Jotun assets prior to the transfer of operatorship and ownership interests of these assets.

Work environment

Following the transfer from ExxonMobil to Point Resources, a sound organisation has been established, and the Board of Directors is confident that the Company has the necessary resources to achieve its business objectives. Point Resources commands an experienced management team and the workforce required for a full-cycle E&P company. Point Resources recognises that its employees constitute the Company's greatest asset and are critical to its future success, and retaining a competent staff and attracting new hires by providing a dynamic and rewarding work environment, is a priority.

To monitor and coordinate initiatives and ensure alignment with relevant laws and regulations, a central work environment committee has been established, along with additional work environment subcommittees for all onshore and offshore locations. As of 31 December 2017, the Company had 354 permanent employees, whereof female employees accounted for 21 percent, and nine nationalities were represented. The sick leave rate is subject to monitoring and follow-up. The sick leave rate in Point Resources for 2017 was 1.9 percent, which is considered low. Point Resources seeks to have a good gender balance and to be an equal opportunity employer. Recruitment of personnel is based on ability, without reference to any personal characteristic.

The physical, chemical and psychosocial work environment is subject to continuous and systematic assessment. Health surveillance programmes are in operation, in accordance with laws and regulations. Preventive measures are taken to minimise the prevalence of musculoskeletal disorders among employees and contractors.

Board composition

At year-end 2017, the Board of Directors consisted of six members, all of whom are men.

Shareholders and stakeholders

Point Resources is committed to providing information in an open, transparent and timely manner to all shareholders and stakeholders. Shares in the Company are privately held.

Subsequent events

In January 2018, the Company was awarded ten new licences in the APA 2017 licensing round. In two of the licences Point Resources was appointed operatorship.

On 2 March 2018, the Norwegian Petroleum Directorate announced an oil discovery in the Frosk well (PL 340). Preliminary estimates indicate that the size of the discovery is between 5 and 10 million standard cubic metres (Sm3) of recoverable oil. The licencees will consider a tie-in of the discovery to the existing infrastructure in the Alvheim area. Point Resources has a 20 percent participating interest in the Frosk prospect.

On 13 March 2018, Point Resources successfully completed a senior unsecured bond issue of USD 250 million, with maturity in September 2024.

On 5 April 2018, the Ministry of Petroleum and Energy approved the Plan for Development and Operation (PDO) of the Fenja field (PL 586) in the Norwegian Sea. The Company has a 45 percent ownership interest in the field.

Outlook

The Norwegian Continental Shelf (NCS) is an attractive province, with a vast resource potential, representing opportunities in which Point Resources is ready to take part. Any future activity the Company leads or takes part in, will reflect one or more of the five core strategic activities; maximising production value, maturing key developments, targeting a selective exploration, continuous portfolio optimisation, and further growth through mergers and acquisitions.

Continued operational excellence to ensure safe and efficient operations will remain a top priority in Point Resources in 2018. Securing a balanced portfolio, with a diverse mix of production, commercial development projects, and an attractive exploration programme, will be key to delivering profitable growth in the years ahead.

With its financial and operational strength, Point Resources will continue to focus on optimising the portfolio and positioning for further consolidations on the NCS in 2018.

Oslo, 27 April 2018
The Board of Directors of Point Resources AS

Inge Ketil Hansen
Chairman

Ole Ertvaag
Board member

Pål Magnus Reed
Board member

Jan Harald Solstad
Board member

Øivind Reinertsen
Board member

Timothy Paul Bushell
Board member

Stig-Roar Olsen
Board member

Øyvind Evensen
Board member

Bjørn Magne Sætervik
Board member

Morten Mauritzen
Chief Executive Officer

Responsibility statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2017 and the comparative figures presented for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Oslo, 27 April 2018
The Board of Directors of Point Resources AS

Inge Ketil Hansen
Chairman

Ole Ertvaag
Board member

Pål Magnus Reed
Board member

Jan Harald Solstad
Board member

Øivind Reinertsen
Board member

Timothy Paul Bushell
Board member

Stig-Roar Olsen
Board member

Øyvind Evensen
Board member

Bjørn Magne Sætervik
Board member

Morten Mauritzen
Chief Executive Officer

Financial Statements

Consolidated Financial Statements

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Consolidated statements of comprehensive income

1 January - 31 December

USD 1 000	NOTES	2017	2016
Petroleum revenues	1.4, 2.2, 2.3	192 324	94 044
Production cost	2.4	-44 828	-33 739
Other income and expenses including results from hedging activities	2.3	-40 136	3 296
General and administrative expenses	2.5	-13 401	-2 549
EBITDAX		93 959	61 052
Exploration expenses	2.6	-56 476	-120 777
Depreciation, depletion, amortisation and impairment	3.2, 3.3, 3.4	-68 855	-66 709
Operating profit/(loss) (EBIT)		-31 373	-126 434
Finance income	5.10	6 258	7 817
Finance costs	5.10	-31 655	-30 654
Profit/(loss) before net profit interest and income taxes		-56 769	-149 270
Net profit interest	8.6	-2 510	-
Profit/(loss) before income taxes		-59 279	-149 270
Income tax expenses	6.1	27 477	104 817
Profit/(loss) for the year		-31 802	-44 454
Items that may be reclassified subsequently to income statement:			
Currency translation differences		13 598	1 627
Income tax relating to items that may be reclassified		-	-
Total comprehensive income/(loss)		-18 204	-42 827
Earnings per share	8.5		
Basic, profit for the year attributable to ordinary equity holders of the parent		-3.17	-6.61
Diluted, profit for the year attributable to ordinary equity holders of the parent		-3.17	-6.61

Consolidated statements of financial position

USD 1 000	NOTES	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	3.4	562 946	14 894
Other intangible assets	3.4	36 856	-
Deferred tax assets	6.1	809	-
Exploration and evaluation assets	3.1	196 905	234 180
Tangible fixed assets			
Oil and gas properties	3.2	1 450 735	222 856
Other property, plant and equipment	3.3	25 450	563
Financial assets			
Other non-current assets	2.1, 4.2, 8.3	145 884	-
Total non-current assets		2 419 585	472 493
Current assets			
Inventories	2.4	63 819	9 085
Trade and other receivables	5.9	237 423	108 008
Other current financial assets	5.1, 5.11	9 343	4 180
Cash and short-term deposits	5.8	123 065	76 704
Total current assets		433 651	197 978
TOTAL ASSETS		2 853 236	670 471

Consolidated statements of financial position

USD 1 000	NOTES	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Share capital	5.4	**1 350**	1 232
Share premium		**582 679**	533 350
Other equity		**-329 547**	-312 974
Total equity		**254 481**	221 608
Non-current liabilities			
Interest-bearing loans and borrowings	5.1, 5.5, 5.11	**783 377**	98 120
Deferred tax liabilities	6.1	**237 331**	127 807
Non-current abandonment provision	4.2	**965 230**	91 925
Loans from related companies	5.1, 5.5, 5.11, 8.3	**248 043**	-
Other non-current liabilities	4.1	**103 565**	12 000
Total non-current liabilities		**2 337 546**	329 852
Current liabilities			
Current abandonment provision	4.2	**97 744**	-
Accounts payable and accrued liabilities	5.7	**78 982**	39 958
Taxes payable	6.1	**21 585**	-
Interest-bearing loans and borrowings	5.1, 5.5, 5.11	**-**	79 055
Other current liabilities	4.1	**30 419**	-
Other current financial liabilities	5.1, 5.11	**32 477**	-
Total current liabilities		**261 208**	119 012
Total liabilities		**2 598 754**	448 864
TOTAL EQUITY AND LIABILITIES		**2 853 236**	670 471

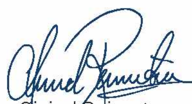
Oslo, 27 April 2018
The Board of Directors of Point Resources AS

Inge Ketil Hansen
Chairman

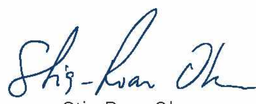
Ole Ertvaag
Board member

Pål Magnus Reed
Board member

Jan Harald Solstad
Board member


Øivind Reinertsen
Board member

Timothy Paul Bushell
Board member


Stig-Roar Olsen
Board member

Øyvind Evensen
Board member

Bjørn Magne Sætervik
Board member

Morten Mauritzen
Chief Executive Officer

Consolidated statements of equity

USD 1 000	NOTES	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	TRANSLATION DIFFERENCES	RETAINED EARNINGS (LOSS)	TOTAL EQUITY
Balance at 1 January 2016		147	453 222		498	-270 645	**183 222**
Profit/(loss) for the year		-	-	-	-	-44 454	**-44 454**
Other comprehensive income/(loss)		-	-	-	1 627	-	**1 627**
Total comprehensive income (loss)		-	-	-	1 627	-44 454	**-42 827**
Issue of share capital	5.4	1 085	80 128	-	-	-	**81 213**
Dividends paid		-	-	-	-	-	**-**
Balance at 31 December 2016		1 232	533 350	-	2 125	-315 099	**221 608**
Balance at 1 January 2017		1 232	533 350	-	2 125	-315 100	**221 608**
Profit/(loss) for the year		-	-	-	-	-31 802	**-31 802**
Other comprehensive income/(loss)		-	-	-	13 598	-	**13 598**
Total comprehensive income/(loss)		-	-	-	13 598	-31 802	**-18 204**
Issue of share capital	5.4	118	49 329	-	-	-	**49 447**
Group contribution received		-	-	1 636	-	-	**1 636**
Other		-	-	-4	-	-	**-4**
Dividends paid		-	-	-	-	-	**-**
Balance at 31 December 2017		1 350	582 679	1 631	15 724	-346 902	**254 481**

Consolidated statements of cash flow

1 January - 31 December

USD 1 000	NOTES	2017	2016
Cash flows from operating activities			
Profit/(Loss) before income taxes		-59 279	-149 270
Adjustments to reconcile profit before tax to net cash flow:			
Depreciation, depletion and amortisation	3.2, 3.3, 3.4	68 855	66 709
Unsuccessful exploration and evaluation expenditures	3.1	7 941	8 217
(Gain)/loss on sale of exploration and evaluation assets	3.1	-	-5 718
Utilisation of decommissioning provision	4.2	-16 178	-
Other non-cash income and expenses		-62 495	-10 157
Accretion expenses (asset retirement obligation)		10 781	-
Add: Finance expense (disclosed in financing activities)		20 873	13 608
Deduct: Finance income (disclosed in investing activities)		-6 258	-970
Working capital adjustments:			
Change in trade and other receivables	5.9	-29 478	42 172
Change in inventories	2.4	1 775	-2 331
Change in accounts and other payables	5.7	93 291	-10 326
Change in provisions		12 129	-755
Income tax received/(paid)	6.1	88 540	120 304
Net cash flows from operating activities		130 497	71 483
Cash flows used in investing activities			
Expenditures on exploration and evaluation assets	3.1	-27 223	-13 691
Expenditures on oil and gas assets	3.2	-50 832	-4 296
Expenditures on other property, plant and equipment	3.3	-1 524	-24
Expenditures on goodwill and other intangible assets	3.4	-3 792	-
Proceeds on disposal of exploration and evaluation assets	3.1	-	5 748
Business combination	2.1	-672 136	-
Interest received	5.10	6 258	970
Net cash used in investing activities		-749 249	-11 293
Cash flow from financing activities			
Proceeds from issuance of shares	5.4	49 447	81 269
Proceeds from loans and borrowings	5.5	678 999	324 223
Payments of loan and borrowings	5.5	-79 055	-433 026
Cash acquired in business acquisitions	2.1	36 594	-
Interest paid	5.10	-20 873	-13 608
Net cash from financing activities		665 113	-41 142
Increase/(decrease) in cash	5.8	46 361	19 049
Cash and cash equivalents, beginning of period		76 704	57 655
Cash and cash equivalents, end of period	5.8	123 065	76 704

Section 1 Background information

1.1. Corporate information

The consolidated financial statements of Point Resources AS and its subsidiaries (collectively, "the Group", "the Company" or "Point Resources") for the year ended 31 December 2017 were authorised for issue in accordance with a Board resolution on 27 April 2018. Point Resources AS is a limited liability company incorporated and domiciled in Norway and the Company's shares are privately held. The Group's head office is located at Grenseveien 6, 4313 Sandnes, Norway.

Point Resources is a mid-sized, independent exploration and production (E&P) company with a diverse portfolio of production, development and exploration assets on the Norwegian Continental Shelf (NCS).

On 1 November 2017, Point Resources AS acquired ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS. The acquisition included a transfer of the majority of ExxonMobil's offshore and onshore E&P staff in Norway; a significant package of operated producing assets on the Norwegian Continental Shelf; field assets such as platforms and Floating Production Storage and Offloading vessels (FPSOs); as well as the Company's office building in Sandnes. More detailed information is included in note 2.1.

Group structure

The consolidated financial statements of the Group include:

Shares in subsidiaries

NAME	BUSINESS LOCATION	VOTING / OWNERSHIP	
		2017	2016
Point Resources FPSO Holding AS	Sandnes, Norway	100 %	-

Shares in subsidiaries indirectly owned

NAME	BUSINESS LOCATION	VOTING / OWNERSHIP	
		2017	2016
Point Resources FPSO AS	Sandnes, Norway	100 %	-
PR Jotun DA	Sandnes, Norway	100 %	-

Accounting policy - Basis of consolidation

Control is deemed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1.2 Basis for preparation

The Group's financial statements consist of consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of cash flow, consolidated statements of changes in equity and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by The European Union (EU).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. Further, the financial statements are prepared based on the going concern assumption.

The consolidated financial statements are presented in USD and all values are rounded to the nearest thousand (000), except when otherwise indicated. The parent company's functional currency is NOK. The Group has chosen to present its financial statements in USD, as this a commonly used presentation currency among oil and gas companies.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using spot rates of exchange at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by use of average exchange rates for each month.

1.3. General accounting principles

Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affecting future periods. The Group bases its assumptions and estimates on parameters available when the financial statements are prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions as they occur.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below and are also discussed in the individual notes of the related financial statement line items.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	NOTE	AMOUNT (USD 1 000)
Goodwill	3.4	562 946
Oil and gas properties	3.2	1 450 735
Deferred tax liability	6.1	237 331
Exploration and evaluation assets	3.1	196 905
Long-term abandonment provision	4.2	965 230
Short-term abandonment provision	4.2	97 744

Current versus non-current classification

The Group presents assets and liabilities in the statements of financial position based on a current/non-current classification.

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected realised within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Borrowing costs are only capitalized during the development phase. Qualifying assets are generally those that are subject to major development or construction projects. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.4. Changes in accounting principles and disclosures

Recognition of revenue from production of oil and gas

In conjunction with the business combination, the Group re-assessed its accounting principle for recognition of revenue from production of oil and gas. The Group previously recognised all revenues based on its net working interest (the entitlement method). Lifting imbalances, which represents the difference between lifted volumes and the Group's share of produced volumes, was presented as current assets or current liabilities. Such assets and liabilities were initially recognised and subsequently measured at net realisable value.

For the year ended 31 December 2017, the Group decided to change the method of accounting for revenues from production of oil and gas in which the Group has an interest to align Point Resources and the acquired business from ExxonMobil Exploration and Production Norway AS. In addition, current standards do not regulate lifting imbalances, and in practice, entities use either the sales method or the entitlements method. Under the new standard for recognition of revenue, IFRS 15, the entitlement method is not expected to be in scope as revenue as determined under IFRS 15 only can arise from transactions with customers, and the overlifter will probably not be considered as a customer.

As of 2017 the Group has recognised revenue based on the actual lifted amount of production (sales method) and will record a lifting imbalance when actual sales/lifted amount differ from the share of production. Such assets and liabilities are initially recognised and subsequently measured to production cost. If the market price is lower than production cost an underlift asset would be measured to current market value.

The effect of changing accounting policy to the sales method has been analysed and summarized in the table below:

USD 1 000

1 JANUARY 2016		1 JANUARY 2017	
Equity	159 (understated)	Equity	196 (understated)
Tax liability	579 (understated)	Tax liability	717 (understated)
Underlift (asset)	738 (understated)	Overlift (liability)	913 (overstated)

The total effect for comparative periods is considered to be immaterial for the financial statement and the change in accounting policies has not been applied retrospectively for comparative periods.

For more details on the revenue recognition accounting policy, refer to note 2.3.

New and amended standards and interpretations

The Group applied for the first time certain amendments to the IFRSs, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for the current period in note 5.6.

1.5. Standards and amendments issued but not yet effective

The standards and interpretations that are issued, but not yet effective up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The IASB has issued three new standards that are particularly relevant for the Group, IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

Based on its current sales contracts and a to a limited extent financial instruments, the Group does not expect significant effects from IFRS 15 and IFRS 9 with respect to recognition and measurement. The Group does however expect to prepare additional disclosures on revenue from contracts with customers and financial instruments when the standards become effective. The Group may choose to implement hedge accounting when adopting IFRS 9, however, the effects of such a change will rather be a result of new application of accounting principles than an isolated effect from IFRS 9, as the Group has not chosen to implement hedge accounting under current IFRS regime (IAS 39).

The Group has assessed the revenue recognition accounting policy in 2017 and changed from the entitlement method to the sales method, see note 1.4.

The effects from implementing IFRS 16 will be assessed during 2018. The Company expects that it will have to recognise several leases on their balance sheet that will result in:

- Annual lease expenses recognised as operational expenses under IAS 17 will impact the EBITDA positively
- Annual depreciation of leased assets will increase and affect EBITDA positively.

In addition the Group has to prepare additional disclosure information as required.

Below are the new standards described in more detail:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016 and 2017, the Group performed a high-level impact assessment of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to Point Resources in the future. Overall, the Group expects no significant impact of IFRS 9, except from different disclosures being required.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method.

During 2017, the Group performed a more detailed analysis of IFRS 15 and have elected to change revenue recognition accounting policy to the sales method. Based on information currently available, the Group expects no significant impact from IFRS 15, except for additional disclosures being required under the new standard.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases and its interpretations, including IFRIC 4 Determining whether an Arrangement contains a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 also requires more extensive disclosures than under IAS 17.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group plans to assess the potential effects of IFRS 16 on its financial statements in 2018, however, it is likely that several of its lease agreements, need to be recognised on the balance sheet.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It clarifies that in determining the exchange rate to use on initial recognition of the related asset, expense or income, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. IFRIC 22 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after the beginning of the reporting period in which the entity first applies the interpretation, or the beginning of a prior reporting period presented as comparative information.

Section 2 Operating performance

2.1. Business combinations

Accounting policy - Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as consideration transferred representing acquisition date fair value. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

Goodwill is initially measured at cost (being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Acquisition of ExxonMobil's operated upstream business in Norway

On 1 November, 2017, the Group acquired ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS. The acquisition included a transfer of the majority of ExxonMobil's offshore and onshore E&P staff in Norway; a significant package of operated producing assets (Balder, Ringhorne, Ringhorne Øst and Jotun) on the Norwegian Continental Shelf; field assets such as platforms and Floating Production Storage and Offloading vessels (FPSOs); as well as the Company's office building in Sandnes.

The business was acquired by and combined with Point Resources AS to create a strong, new mid-sized Norwegian E&P company. With an asset portfolio that includes several fields in the development phase, the combined Company has the potential to grow its production base organically to over 90 000 boepd by 2022, and has proven and probable reserves and contingent resources of about 369 million barrels of oil equivalent at year-end 2017.

As part of the transaction the Group acquired 100 percent of the shares in in Standard Marine Nordsjø AS and in ExxonMobil Property Norway (2) AS. In addition, the Group acquired the remaining 5 percent of the interest in PR Jotun DA.

Standard Marine Nordsjø AS later changed name to Point Resources FPSO AS. Shares in Point Resources FSPO AS and PR Jotun DA were incorporated in the new company Point Resources FPSO Holding AS.

The shares in ExxonMobil Property Norway (2) AS (later changed name to Grenseveien 6 AS) were sold to ABP Holdco AS immediately after the aqcuisition and the Group entered a lease agreement with the new owner. For more information on the transaction see note 4.3 and 4.4.

The transaction with ExxonMobil Exploration and Production Norway AS is recorded as a business combination in accordance with IFRS 3. The acquisition date for accounting purposes corresponds to the completion date of the transaction on 1 November 2017. For tax and economic purposes, the effective date was 1 January 2017.

USD 1 000

Purchase consideration	
Cash consideration	672 136
Deferred payment [1]	254 302
Contingent consideration (oil price dependent) [1]	22 876
Contingent Forseti consideration [1]	33 718
Payment for acquired assets and liabilities	983 032

1) Described in the section below

Deferred payments

A part of the purchase price is to be paid over four instalments (2018 - 2020) and another part is due in 2020. All outstanding payments are subject to interest.

Contingent consideration

As part of the purchase agreement with the previous owner, the following contingent considerations have been agreed:

a) An annual contingent consideration the following 5 years if the yearly average oil price exceeds a certain threshold. The maximum contingent consideration each year is USD 25 million. As at the acquisition date, the fair value of the contingent consideration was estimated with option pricing methodology to USD 22.9 million.

b) A fixed amount and an additional amount per barrel of oil equivalent, that exceeds a threshold of oil equivalents, if the Group utilize their option to develop the Forseti structure. As at the acquisition date, the fair value of the contingent consideration was estimated with a DCF method to USD 33.7 million.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of ExxonMobil's operated upstream business in Norway as at the date of acquisition were:

USD 1 000

ASSETS	
Non-current assets	
Oil and gas properties	1 136 724
Other property, plant and equipment	24 713
Exploration prospects	54 000
Other intangible assets	34 890
Other non-current assets	250 602
Deferred tax asset	3 119
Total non-current assets	1 504 047
Current assets	
Inventories	56 508
Trade and other receivables	93
Other current assets	290
Cash and short-term deposits	36 594
Total current assets	93 485
Total assets	1 597 532
Non-current liabilities	
Deferred tax liabilities	-
Provision for abandonment	911 331
Total non-current liabilities	911 331
Current liabilities	
Taxes payable	160 298
Provision for abandonment	88 436
Provisions	8 631
Total current liabilities	257 365
Total liabilities	1 168 696
Total identifiable net assets at fair value	428 836
Consideration paid on acquisition	983 032
Goodwill arising on acquisition	554 196
Goodwill as a result of deferred tax - technical goodwill	473 576
Goodwill related to synergies - residual goodwill	80 620
Net goodwill from acquisition	554 196

According to § 10 in the Norwegian Petroleum Tax Act transaction shall be done after tax and the buyer is therefore not entitled to claim tax deduction for the part of consideration that exceeds the tax position acquired from the seller. Provision for deferred tax is made for the difference between acquisition cost and acquired tax base in accordance with IAS 12. Offsetting entry of this non-cash deferred tax is technical goodwill.

The remaining goodwill of USD 80.6 million comprises the value of expected synergies arising from the acquisition and assembled workforce, which is not separately recognised. Goodwill is allocated entirely to operations on the the Norwegian Continental Shelf (NCS).

None of the goodwill recognised is expected to be deductible for income tax purposes.

The valuation is based on currently available information on fair values as of the acquisition date. If new information becomes available within 12 months from the acquisition date, the Group may change the fair value assessment in the purchase price allocation, in accordance with guidance in IFRS 3. Any adjustments will result in a corresponding adjustment of goodwill.

NET CASH FLOW FROM ACQUISITION

Net cash acquired	36 594
Cash paid	672 136
Net cash flow on acquisition	-635 541

From the date of acquisition, ExxonMobil's operated upstream business in Norway has contributed USD 131 million of revenue and USD 49 million to the net profit before tax. If the acquisition had taken place at the beginning of the year, revenue would have been USD 812 million and the profit before tax for the period would have been USD 109 million.

Pro-forma figures

The Board of Directors consider the pro-forma numbers presented in the table below to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in the future periods.

In determining the pro-forma revenue and profit for the group if the business combination had taken place at 1 January 2017, the Group has:

- Calculated depreciation of plant and equipment acquired (including surplus values on the basis of the fair values arising in the business combination completed at 1 November 2017).
- Calculated borrowing costs on the funding levels and unwinding of interest on abandonment provisions for the Group after the business combination for the whole year.
- Calculated interest income from the mandatory deposit as per the SPA
- Calculated expected reduction in General and Administration expenses (G&A) related to expected synergies after the business combination.

USD 1 000

1 JANUARY - 31 DECEMBER	2017
Petroleum revenues	812 261
Production cost	-206 586
Other income and expenses including results from hedging activities	-40 136
General and administrative expenses	-13 401
EBITDAX	552 138
Exploration expenses	-56 488
Depreciation, depletion, amortisation and impairment	-274 327
Operating profit/(loss) (EBIT)	221 322
Finance income	16 271
Finance costs	-91 468
Profit/(loss) before net profit interest and income taxes	146 126
Net profit interest	-36 949
Profit/(loss) before income taxes	109 177
Income tax expenses	-110 978
Profit/(loss) for the year	-1 801

2.2. Segment information

Accounting policy - Segment information

Since the establishment of Point Resources in May 2016, its operations have been fully focused on exploration and production of petroleum on NCS, which is also the level used by executive management in monitoring the operating results for the purpose of making decisions.

The Group's activities are considered to have a homogeneous risk and return profile (same geographical area and activities). Hence, all of Point Resources's activities are focused within one single operation segment (NCS). Segment figures are therefore similar to the income statements.

Significant customers

In 2017 and 2016 revenues from sale of oil and gas to ExxonMobil, Statoil and Shell each amounted to more than 10 percent of total revenues. Total revenues from those customers were USD 131.7 million, USD 35.3 million (2016: USD 42.7 million) and USD 21.0 million (2016: USD 51.8 million) respectively.

2.3. Revenues and other income

Accounting policy - Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Point Resources has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to over- and underlift and credit risks.

Revenues from production of oil and gas

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Revenues from production of oil and gas in which the Group has an interest is recognised based on the Group's actual lifted amount of production (the sales method). The Group records an overlift liability when actual sales/lifted amount exceeds the Group's share of actual production in the period. Similarly, the Group would record an underlift asset when share of production exceeds actual lifted volumes. The over- or underlift is adjusted to production costs.

Lifting imbalances are initially recognised and subsequently measured to production costs. If the market price is lower than production cost, an underlift asset would be measured to current market value if the lifting imbalance will be settled by future lifting. Imbalances which are expected to be settled in cash are to be measured at net realisable value.

The Group has changed accounting principle for recognising revenues from production of oil and gas from assets in which the Group has an interest, from the Group's net working interest (the entitlement method) to the sales method for the year ended 31 December 2017. See more information in note 1.4.

Rendering of services

Revenues from sales of services are recorded when the services are performed.

Gains from put options

Realised and unrealised gains from put options used for hedging oil price are presented as other income and expenses including results from hedging activities.

Reference to note 5.1 and 5.2 for accounting principles concerning treatment and purpose of options.

USD 1 000	NOTE	31.12.2017	31.12.2016
Revenue from crude oil sales		188 970	86 953
Revenue from gas sales		3 331	4 408
Revenue from ngl sales		23	2 682
Total petroleum revenues		192 324	94 043

USD 1 000	NOTE	31.12.2017	31.12.2016
Unrealised Brent Crude put options		-26 297	-22 385
Realised Brent Crude put options		-15 112	17 571
Other income		1 155	8 111
Deferred revenue	4.4	118	-
Other income and expenses including results from hedging activities		-40 136	3 297

Deferred revenue is related to the sale-leaseback transaction of the Forus office building, for more information see note 2.1, 4.3 and 4.4.

Key operational figures

USD	2017	2016
Production (boe [1])	3 605 851	2 352 302
Average production per day (boe)	9 879	6 428
Average price USD/boe [2]	57.01	39.98
Volumes sold (boe)	3 373 439	2 417 867
FX USD/NOK	8.26	8.40

1) boe = Barrel of Oil Equivalent
2) Average price is calculated based on sold volume in 2017 and produced volume in 2016.

If the transaction with ExxonMobil had occurred 1 January 2017, total production would have been 16 969 401 boe and average production per day would have been 46 492 boe.

2.4. Production cost/inventory

Accounting policy - Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production and tariffs and transportation. Net realisable value is determined by reference to prices existing at the balance sheet date less selling costs. Net realisable value is adjusted where the sale of inventories after the reporting period gives evidence about their net realisable value at the end of the period.

USD 1 000	31.12.2017	31.12.2016
Direct production cost (excluding DD&A)	31 188	15 540
Tariffs and transportation cost	3 115	5 421
Direct production taxes	2 691	160
Allocated General and Administration expenses	7 833	12 618
Total production cost (excluding DD&A)	44 827	33 739

Key operational figures

		31.12.2017	31.12.2016
Total production cost (excluding DD&A) [1]	USD/boe	12.4	14.4

1) Calculated using produced volume as denominator

Corresponding figures for 2017 when using full-year pro-forma production cost and produced volume: USD/boe 12.2.

USD 1 000	31.12.2017	31.12.2016
Spare parts and consumables	35 247	9 085
Drilling equipment	28 571	-
Total inventories	63 819	9 085

2.5. General and administrative expenses

USD 1 000	NOTE	31.12.2017	31.12.2016
Salaries and social expenses	7.1, 7.2	25 569	22 719
Lease expenses	4.3	2 672	1 815
Consulting, legal and audit fees		12 571	8 171
IT expenses		8 311	2 680
Other general and administrative expenses		1 792	1 317
Total general and administrative expenses before reclassification		50 916	36 702
G&A expenses reclassified to exploration	2.6	-17 417	-29 855
G&A expenses reclassified to development		-1 381	-
G&A expenses reclassified to production cost	2.4	-18 717	-4 298
Total general and administrative expenses		13 401	2 549

Acquisition-related costs of USD 2.5 million related the acquisition of ExxonMobil's operated upstream business in Norway is included in consulting, legal and audit fees in 2017.

USD 1 000	31.12.2017	31.12.2016
Audit fee	130	210
Tax advisory services	-	-
Attestation services	-	-
Other advisory services	286	62
Total auditor's fees	416	273

Auditor fees are presented net of VAT.

2.6. Exploration expenses

Accounting policy - Exploration and evaluation expenses

For accounting principles related to exploration and evaluation expenses, reference is made to note 3.1.

Exploration costs capitalized in 2016 and 2017 carried to cost relate to dry wells. In addition, the costs are related to field studies and geological work.

USD 1 000	31.12.2017	31.12.2016
Exploration costs	17 799	32 310
Seismic costs	12 602	12 081
G&G costs	-	824
G&A expenses allocated to exploration	17 417	29 855
Other exploration costs	347	-511
Exploration costs capitalized in previous years, expensed	511	8 218
Exploration costs capitalized this year, expensed	7 800	37 999
Total exploration expenses	56 476	120 777

Section 3 Asset base

3.1. Exploration and evaluation assets

Accounting policy – Exploration, evaluation and development expenditure
Exploration, evaluation and development expenditures are accounted for using the successful efforts method of accounting.

(i) Pre-licence costs
Pre-licence costs are expensed in the period in which they are incurred.

(ii) Licence and property acquisition costs
Exploration licence and property acquisition costs are capitalised as intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised in intangible assets.

Licence and acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and that sufficient progress is being made on establishing development plans and timing.

When exploration efforts lead to commercial discoveries and internal approval for development is sanctioned, the relevant expenditure is transferred to oil and gas properties. If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs are written off through the statement of comprehensive income.

(iii) Exploration and evaluation costs
Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Geological and geophysical costs are expensed as exploration costs through the statement of comprehensive income as incurred.

	NOTE	EXPLORATION AND EVALUATION ASSETS
Cost as at 1 January 2016		223 944
Additions		11 718
Acquisitions		1 974
Farm-out of interest		-
Unsuccessful exploration expenditure derecognised		-8 217
Currency translation effects		4 797
Transfer to oil and gas properties		-36
Cost as at 31 December 2016		234 180
Additions		27 223
Additions through business combinations	2.1	54 000
Acquisitions		-
Farm-out of interest		-
Unsuccessful exploration expenditure derecognised		-7 941
Currency translation effects		9 906
Reclassified to oil and gas properties		-120 462
Cost as at 31 December 2017		196 905
Provision for impairment as at 1 January 2016		-
Impairment charge for the year		-
Reversal of previously recognised impairments		-
Previously recognised impairments, derecognised during the year		-
Provision for impairment as at 31 December 2016		-
Impairment charge for the year		-
Reversal of previously recognised impairments		-
Previously recognised impairments, derecognised during the year		-
Provision for impairment as at 31 December 2017		-
Net book value as at 31 December 2016		234 180
Net book value as at 31 December 2017		196 905

There was no significant reclassification to the statement of comprehensive income during 2017.

If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through the statements of comprehensive income as a dry hole. If extractable hydrocarbons are found and are subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed and the costs are capitalised. The costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of comprehensive income.

When proved reserves of oil are determined and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. Other than for licence costs, no amortisation is charged during the exploration and evaluation phase.

For exchanges/swaps or parts of exchanges/swaps that involve only exploration and evaluation assets, the exchange is accounted for at the carrying value of the asset given up and no gain or loss is recognised.

(iv) Farm-outs — in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It neither recognise any gain or loss on its exploration and evaluation farm-out arrangements, but re-designates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

(v) Development costs

Expenditures on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, are capitalised within oil and gas properties.

Significant judgements, estimates and assumptions

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Group defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the statement of comprehensive income in the period when the new information becomes available.

3.2. Oil and gas properties

Accounting policy - Oil and gas properties

(i) Initial recognition

Oil and gas properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production phase, the capitalisation of certain construction/ development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

(ii) Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed, proved undeveloped and probable reserves expected to be recovered from the relevant fields. The depletion rate takes into account expenditures incurred to date, together with estimated future capital expenditures.

The estimated reserves, asset's residual values and methods of depreciation/amortisation are reviewed annually and adjusted prospectively, if appropriate.

Jotun FPSO A is depreciated over the lease period which ends 30 June 2020.

(iii) Major maintenance, inspection and repairs

Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

	NOTE	OIL AND GAS PROPERTIES	FPSO JOTUN	TOTAL
Cost as at 1 January 2016		477 371	-	**477 371**
Additions		4 296	-	**4 296**
Transferred from exploration and evaluation assets		36	-	**36**
Change in decommissioning provision	4.2	-3 694	-	**-3 694**
Disposals		-	-	-
Depletions		-	-	-
Currency translation effects		10 441	-	**10 441**
Cost as at 31 December 2016		488 449	-	**488 449**
Additions		50 832	-	**50 832**
Additions through business combinations	2.1	1 056 340	80 383	**1 136 724**
Transferred from exploration and evaluation assets	3.1	120 462	-	**120 462**
Change in decommissioning provision	4.2	-20 698	-	**-20 698**
Disposals		-	-	-
Depletions		-	-	-
Currency translation effects		21 635	-562	**21 073**
Cost as at 31 December 2017		1 717 020	79 822	**1 796 842**
Depletion and impairment as at 1 January 2016		-201 319	-	**-201 319**
Depreciation		-61 280	-	**-61 280**
Provision for impairment		-	-	-
Disposals		-	-	-
Depletions		-	-	-
Currency translation effects		-2 994	-	**-2 994**
Depletion and impairment as at 31 December 2016		-265 593	-	**-265 593**
Depreciation		-63 057	-3 514	**-66 571**
Provision for impairment		-	-	-
Disposals		-	-	-
Depletions		-	-	-
Currency translation effects		-13 923	-20	**-13 943**
Depletion and impairment as at 31 December 2017		-342 573	-3 534	**-346 107**
Net book value as at 31 December 2016		222 856	-	**222 856**
Net book value as at 31 December 2017		1 374 447	76 288	**1 450 735**

Accounting policy - Impairment losses (non-financial assets excluding goodwill)

The Group assesses at each reporting date whether there is an indication that an asset or Cash Generating Unit (CGU) may be impaired. Management has assessed its CGU's as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. The Group bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statements of comprehensive income.

For assets/CGUs excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited

so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in the statement of comprehensive income.

Impairment testing of other non-current assets

	31.12.2017	31.12.2016
Impairment losses		
Exploration and evaluation assets	-	-
Oil and gas properties	-	-
Impairment reversals		
Exploration and evaluation assets	-	-
Oil and gas properties	-	-

Estimates and assumptions

The useful life of each asset, which is assessed at least annually, has both physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves, decommissioning costs, discount rate, exchange rates and estimates of future capital expenditure.

Future estimated cash flow for assets or CGU's

Changes in expected cash flow associated with asset or Cash Generating Unit (CGU) may result in an impairment of the carrying amount of individual assets to estimated recoverable value. Impairment assessments require long-term assumptions regarding economic factors, oil price, the Group's long-term oil price assumptions, oil production, exchange rates, discount rates, cost estimates (capex and opex) and residual value of assets.

Total proved developed, proved undeveloped and probable reserves

Annual estimates of oil and gas reserves and resources are generated internally by the Group's reservoir engineers. Standard recognised evaluation techniques are used to estimate the proved and probable reserves and the contingent resources based on quantities of crude oil, natural gas and economic and operational conditions. The estimates are based on prices from today's market, with the exception of already contractual price changes. Changes in proved developed, proved undeveloped and probable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including commodity prices and future capital expenditure. An independent reserves auditor reviews the reserve estimates annually and results are reported to the Board along with an externally generated Reserves Audit Report.

Changes in future oil prices and future capital expenditure estimates can change reserves estimates, and hence the time when fields become unprofitable, which affects the time of shutdown and decommissioning activities. For more information on decommissioning cost see note 4.2.

Unit-of-production rate of depreciation/amortisation

The calculation of the unit-of-production rate of depreciation/ amortisation will be impacted by revision of proven and probable reserves and and future capital expenditure estimate changes.

Discount rate

The Group's discount rate is derived from the Group's post-tax weighted average cost of capital (WACC). The WACC takes into account both the cost of debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on interest-bearing borrowings the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Cost profiles

Cost profiles used in the calculation of value in use are based on operator budgets and general market assessments done by the Group's facility and operations engineers. Cost profiles consists of operating expenses and capital expenditures. Operating expenses comprises variable elements such as processing tariffs, pipeline tariffs, and lease rates and fixed elements such as platform costs and operator overheads. Capital expenditures can relate to investments made to develop a field, or to already producing fields to maintain/ increase production or prolong the field life.

Impairments

The Group has not recognised any impairments of oil and gas properties in 2016 or 2017.

Value in use is calculated by discounting future cash flows after tax. Below is an overview of key assumptions used in the impairment tests as at 31 December 2017.

Economic assumptions

The Group uses available market information to regularly assess the short- and long-term outlook for commodity prices. Assumptions regarding commodity prices are continually reviewed and updated by management. According to the above methodology the Group has used the following future quality adjusted oil prices and forward exchange rates in the calculation of the recoverable amount for oil and gas properties.

YEAR	USD/BOE
2018	60.90
2019	58.25
2020	55.13
2021	51.80
2022	51.00
2023	55.60
From 2024 -	60.00

YEAR	USD/NOK
2018	8.02
2019	7.96
2020	7.90
2021	7.83
From 2022 -	7.75

Based on the description above, discount rate used in the calculation is post-tax weighted average cost of capital (2017: 8 percent). The long-term inflation rate is assumed to be 2 percent as of 31 December 2017.

3.3. Other property, plant and equipment

Accounting policy - Other property, plant and equipment

(i) Initial recognition

Equivalent to oil and gas properties, see note 3.2.

The carrying value of property, plant and machinery held under finance leases at 31 December 2017 was USD 23.9 million. Additions during the year include USD 24.2 million of property under finance leases. For more information on the lease see note 4.3 and 4.4.

(ii) Depreciation/amortisation

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives. Property, plant and equipment held under finance leases are depreciated over the shorter of lease term and estimated useful life.

Asset's residual values, useful lives and methods of depreciation/amortisation are reviewed annually and adjusted prospectively, if appropriate.

(iii) Major maintenance, inspection and repairs

Equivalent to oil and gas properties, see note 3.2.

Impairment losses (non-financial assets)

Equivalent to oil and gas properties, see note 3.2.

Estimates and assumptions

Equivalent to oil and gas properties, see note 3.2.

Impairments

There has been no indication that an asset may be impaired or indication that previously recognised impairment losses may no longer exist related to other property, plant and equipment.

	NOTE	BUILDINGS	OFFICE EQUIPMENT	TOTAL
Cost as at 1 January 2016		-	4 761	**4 761**
Additions		-	24	**24**
Disposals		-	-	**-**
Depletions		-	-1 331	**-1 331**
Currency translation effects		-	163	**163**
Cost as at 31 December 2016		-	3 617	**3 617**
Additions	4.3	24 232	1 524	**25 756**
Additions through business combinations	2.1	24 713	-	**24 713**
Disposals	2.1	-24 713	-	**-24 713**
Depletions		-	-	**-**
Currency translation effects		-170	151	**-18**
Cost as at 31 December 2017		24 063	5 292	**29 355**
Depletion and impairment as at 1 January 2016		-	-3 422	**-3 422**
Depreciation		-	-849	**-849**
Provision for impairment		-	-	**-**
Disposals		-	-	**-**
Depletions		-	1 331	**1 331**
Currency translation effects		-	-114	**-114**
Depletion and impairment as at 31 December 2016		-	-3 053	**-3 053**
Depreciation		-199	-493	**-692**
Provision for impairment		-	-	**-**
Disposals		-	-	**-**
Depletions		-	-	**-**
Currency translation effects		-1	-158	**-159**
Depletion and impairment as at 31 December 2017		-201	-3 704	**-3 904**
Net book value as at 31 December 2016		-	563	**563**
Net book value as at 31 December 2017		23 862	1 588	**25 450**

Useful lives

The useful lives of the assets are estimated as follows:

Buildings	20 years
Office equipment	3 to 5 years

3.4. Goodwill and other intangible assets

Accounting policy - Other intangible assets and goodwill

Goodwill

Goodwill arises principally because of the following factors:

- The ability to capture unique synergies that can be realised from managing a portfolio of both acquired and existing fields
- The requirement to recognise deferred tax assets and liabilities for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value (more information in note 2.1)

Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (generally depreciated on a straight-line basis over their estimated useful lives) and accumulated impairment losses, if any. Indefinite lived intangibles are not amortised, instead they are tested for impairment at least annually. Internally generated intangible assets, excluding capitalised development costs and E&E assets, are not capitalised. Instead, the

related expenditure is recognised in the statement of comprehensive income in the period in which the expenditure is incurred.

In relation to the acquisition of ExxonMobil's operated upstream business in Norway, seismic and other technical data of USD 34.9 million was capitalized as other intangible assets. Seismic data was related to the Balder, Ringhorne and Forseti fields. If the Group's business activity in the area ceases, the seismic is impaired immediately.

There are no intangible assets with indefinite lives in the Group.

Useful lives

The useful lives of the assets are estimated as follows:

Seismic and other technical data 4 years

	NOTE	GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
Cost as at 1 January 2016		21 610	9 019	30 629
Additions		-	-	-
Disposals		-	-	-
Currency translation effects		474	198	672
Cost as at 31 December 2016		22 084	9 217	31 301
Additions		-	3 792	3 792
Additions through business combinations	2.1	554 196	34 890	589 086
Disposals	2.1, 4.4	-3 501	-	-3 501
Currency translation effects		-2 644	-223	-2 868
Cost as at 31 December 2017		570 134	47 676	617 810
Amortisation and impairment as at 1 January 2016		-5 084	-6 518	-11 602
Amortisation charge for the year		-	-	-
Impairment charge for the year		-2 007	-2 573	-4 580
Currency translation effects		-97	-126	-223
Amortisation and impairment as at 31 December 2016		-7 188	-9 217	-16 405
Amortisation charge for the year		-	-1 592	-1 592
Impairment charge for the year		-	-	-
Currency translation effects		-	-10	-10
Amortisation and impairment as at 31 December 2017		-7 188	-10 819	-18 008
Net book value as at 31 December 2016		14 895	-	14 895
Net book value as at 31 December 2017		562 946	36 856	599 802

Impairment testing of goodwill

For impairment testing purposes, all acquired goodwill has been allocated to the Group's assets on the NCS.

Accounting policy - Impairment losses goodwill

Goodwill is tested for impairment annually. Impairment is determined for goodwill by assessing the recoverable amount of each Cash Generating Unit (CGU) or group of CGU's to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount of the asset including goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. For more information on accounting policies, estimates and assumptions see note 3.2.

When assessing impairment of technical goodwill, recognised deferred tax related to a business combination (see more information in note 2.1) will reduce net book value before impairment assessment. Going forward depreciation of excess values from the acquisition analysis will lead to a reduction in deferred tax liability, hence more technical goodwill will be exposed to impairment.

Impairment testing ordinary goodwill

Goodwill of USD 95.7 million has been allocated to the Group's operations on the the Norwegian Continental Shelf (NCS). The recoverable amount of the CGU has been determined based on a value in use calculation as described above and outlined in note 3.2. As a result of the analysis, no impairment was required for this CGU.

Impairment testing technical goodwill

Technical goodwill of USD 467 million is related to the Group's acquisition of ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS that was completed 1 November 2017 and is allocated to the Groups operations on the the Norwegian Continental Shelf (NCS). The recoverable amount of CGU has been determined based on a value in use calculation as described above and outlined in note 3.2. As a result of the analysis, no impairment was required for this CGU.

Section 4 Special items and provisions

4.1. Provisions for other liabilities

Accounting policy – Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of comprehensive income.

Other provisions
Other provisions comprise provision on a total of USD 12 million where USD 9 million is payable 1 January 2019 and USD 3 million is payable 1 January 2020. The provision relates to decommissioning costs on the Athena field in connection with former Spike Exploration AS' sale of Spike UK to Verus Petroleum Holding Limited.

Deferred payments
Related to the contingent Forseti consideration from the acquisition of ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS, see note 2.1 and 4.3 for more information.

Contingent consideration
Related to the Contingent consideration (oil price dependent) from the acquisition of ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS, see note 2.1 and 4.3 for more information.

USD 1 000	NOTE	31.12.2017	31.12.2016
Other provisions		12 000	12 000
Deferred payments	2.1, 4.3	33 675	-
Contingent consideration	2.1, 4.3	22 716	-
Deferred revenue	4.4	13 388	-
Lease commitment Forus office	4.3	21 785	-
Total other long-term liabilities		103 564	12 000

USD 1 000	NOTE	31.12.2017	31.12.2016
Overlift oil		598	-
Working capital, accruals, joint operations		9 218	-
Other accrued expenses		17 615	-
Lease commitment Forus office	4.3	2 278	-
Deferred revenue	4.4	711	-
Total other current liabilities		30 419	-

4.2. Decommissioning provision

Accounting policy – Provisions
Equivalent to provisions for other liabilities, see note 4.1.

Accounting policy – Decommissioning provision
The obligation generally arises when the asset is installed or the ground/environment is altered at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of comprehensive income.

If the change in an estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost.

Decommissioning provision

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis on the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2030 - 2040 which is when the producing oil and gas properties are expected to cease operations.

USD 1 000	NOTE	TOTAL
Provision at 1 January 2016		89 605
Additions		-
Changes in Operator's estimate		-3 526
Unwinding of discount		4 063
Currency translation effects		1 784
Total provisions at 31 December 2016		91 925
Additions		-
Additions through business combinations	2.1	999 768
Changes in Operator's estimate		-20 698
Unwinding of discount		10 781
Amounts used		-16 178
Unused reversed		-
Currency translation effects		-2 624
Total provisions at 31 December 2017		1 062 974
Expected maturity year:		2030-2040

USD 1 000	31.12.2017	31.12.2016
Non-current abandonment provision	965 230	91 925
Current abandonment provision	97 744	-
Total provisions	1 062 974	91 925

Estimates and assumptions

The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain. The same assumptions as described in note 3.2 are valid for decommissioning provision in addition to changes in laws and regulations or their interpretation.

The discount rate used in the calculation of the provision as at 31 December 2017 is equal to estimated future U.S. government bond rates and standard premium.

Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

Compensation of decommissioning costs for Jotun

As part of the transaction with ExxonMobil in 2017, the seller has in the sale and purchase agreement agreed to pay parts of the decommissioning costs for Jotun and the Group has recorded a receivable against ExxonMobil to cover those costs that are within compensation threshold. The Group expects that all decommissioning costs within the compensation threshold will be refunded from the seller.

USD 1 000	31.12.2017	31.12.2016
Additions through business combinations	250 602	-
Amounts used	-1 227	-
Unwinding of discount	1 808	-
Currency translation effects	-1 745	-
Total receivables related to decommissioning costs for Jotun	249 438	-

The discount rate used in the calculation of the indemnification asset is the same as for decommissioning cost.

USD 1 000	31.12.2017	31.12.2016
Non-current receivables related to decommissioning costs for Jotun	143 880	-
Current receivables related to decommissioning costs for Jotun	105 558	-
Total receivables related to decommissioning costs for Jotun	249 438	-

4.3. Commitments and contingencies

Accounting policy - Capital commitments and other contingencies

(i) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight line basis over the lease term.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated statements of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease commitments - Group as lessee

The Group has entered into operating leases for buildings, and various items of plant and machinery. These leases have an average life of two years (2016: three years), with renewal terms at the option of the lessee whereby the Group can extend at lease terms based on market prices at the time of renewal. There are no restrictions placed upon the Group as a result of entering into these leases. Future minimum lease payments under non-cancellable operating leases as at 31 December explained in the table below.

Operational lease commitments (Group as a lessee)

USD 1 000	31.12.2017	31.12.2016
Within one year	809	749
After one year but not more than five years	579	1 039
More than five years		
Total operating lease commitments	1 388	1 789

Finance lease commitments - Group as lessee

After the Group sold the shares in ExxonMobil Property Norway (2) AS it immediately entered a finance lease for the office building located in Grenseveien 6, 4313 Sandnes. The rent is adjusted annually in accordance with the Norwegian consumer price index. Future minimum lease payments, together with the present value of the net minimum lease payments are as follows:

	2017	
USD 1 000	MINIMUM PAYMENTS	PRESENT VALUE OF PAYMENTS
Within one year	2 278	2 149
After one year but not more than five years	9 695	7 259
More than five years	45 605	14 653
Total minimum lease payments	57 579	24 062
Less amounts representing finance charges	-33 516	-
Present value of minimum lease payments	24 062	24 062

Other contractual obligations

Minimum work programs

The Group is required to participate in the approved work programs for the licences.

Liability for damages/insurance

The Group's operations involve risk for damages, including pollution. Installations and operations are covered by an operations insurance policy.

Guarantees

The Group has provided guarantees with USD 0.35 million in favour of Hess Norge AS and USD 0.03 million in favour of Gassco.

Other obligations

Related to the decommissioning of Jotun B, there is a cancellation fee of USD 2.2 million in the contract with Heerema. The Group is committed to CHC Helikopter Service AS for 12 months with a standing charge of USD 6.45 million.

Contingencies

As part of the aquisition of ExxonMobil's operated upstream business in Norway, the Group has agreed to pay the seller an annual contingent consideration the following 5 years (2017 - 2021) if the yearly average oil price exceeds a certain threshold. As at 31 December 2017, the fair value of the contingent consideration was estimated with option pricing methodology to be USD 22.9 million.

The Group also has to pay a fixed amount and an additional amount per barrel of oil equivalent, that exceeds a threshold of oil equivalents, if the Group utilize their option to develop the Forseti structure. As at 31 December 2017, the fair value of the contingent consideration was estimated with a DCF method to USD 33.7 million.

Point Resources AS has an obligation to hold Pure E&P AS (previously Rocksource ASA) harmless from any claim against it resulting from alleged obligations under a farm-out agreement entered into with ONGC in relation to a block offshore India. Relating to this, ONGC has issued cash calls for the drilling of 3 dry wells, amounting to USD 20.3m (excluding any interest), which Pure E&P AS considers it is not obliged to and has consequently refused to pay. ONGC is pursuing its claim through arbitration proceedings in India.

Based on certain historic events involving Pure E&P Norway AS (previously Rocksource Exploration Norway AS) (one of the companies involved in the merger creating Point Resources AS), the Oil Taxation Office has issued notifications of disagreement with some of the historic tax filings for Pure E&P Norway AS. Ongoing cases where the tax authorities have issued such notifications of disagreement involve a maximum possible tax exposure for Point Resources AS of approximately NOK 20m.

Future deposit requirements

As part of the Sale and Purchase Agreement(SPA) with ExxonMobil, the Group shall deposit to the seller a post-tax amount of USD 127 million 1 January 2022. According to the Norwegian Petroleum Act Section 5-3(3) ExxonMobil is secondarily financially responsible for the asset retirement obligation related to interest in the oil fields acquired by the Group. ExxonMobil is in accordance with the SPA required to repay (without any delay) Point Resources the entire deposit in an event where the sellers liability do not materialize (i.e. Point Resources fulfills the assets retirement commitments for the acquired licences according to plan).

The Post Completion Payment does not satisfy the definition of a liability under IFRS as the future payment is not an obligation at the acquisition date from past events for Point Resources. The deposit is considered only to be a part of the agreement due to the requirements in the Petroleum Act Section 5-3(3) and not part of the pricing and valuation of the transaction between the parties. The Post Completion Payment is not expected to materialize and Point Resources' obligation is already indirectly included under the ARO liability related to the acquired licences at fair value in accordance with IFRS 3.

As the Post Completion Payment does not satisfy the definition of a liability and is not considered to be a part of the transaction, the liability should not be recorded as part of the purchase price allocation based on the general principles in IFRS 3. The recognition criteria under IAS 37 are not fulfilled either, but will be continuously assessed at future reporting periods.

Significant judgements, estimates and assumptions

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Group, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

4.4. Deferred revenue

Accounting policy - Sale-and-leaseback transaction

When a sale-and-leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount should not be recognised immediately as income by a seller/lessee. Instead, the excess is deferred and amortized over the lease term.

After the Group sold the shares in ExxonMobil Property Norway (2) AS, the Group immediately entered into a finance lease for the office building located in Grenseveien 6, 4313 Sandnes. The excess of sales proceeds is deferred and amortized over the lease term (20 years).

USD 1 000	31.12.2017	31.12.2016
Deferred revenue	14 099	-
Total deferred revenue	14 099	-

Section 5 Financial instruments, capital structure and equity

5.1. Financial instruments

Accounting policy - Financial instruments

Classification of financial instruments

The Group's financial instruments are classified in the following categories:

- fair value with changes in value through profit or loss (FVPL)
- loans and receivables
- other financial liabilities

Derivatives are classified as FVPL financial instruments as the Company does not apply hedge accounting. Thus, the FVPL instruments are categorised as held for trading from an accounting perspective.

Loans and receivables are non-derivative financial assets with fixed or determinable cash flows that are not quoted in an active market. Other financial liabilities are generally the main category for loans and borrowings.

Initial recognition and subsequent measurement

FVPL: Financial derivatives that are not designated as hedging instruments are categorized as held for trading and initially measured at their fair value. Subsequent changes in the fair value are recognised in income statements. The Group has entered into Brent crude oil put options, and the changes in fair value is presented as other income.

Fair value of unlisted shares is estimated by using standard valuation techniques, or is measured at cost if the investment does not have a quoted market price in an active market and the fair value cannot be reliably measured.

Loans and receivables and Other financial liabilities are initially recognised at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at their amortized cost.

USD 1 000		FINANCIAL ASSETS AT FAIR VALUE		FINANCIAL LIABILITIES AT FAIR VALUE		
31.12.2017	NOTE	HELD FOR TRADING ACCORDING TO IAS 39	LOANS AND RECEIVABLES	HELD FOR TRADING ACCORDING TO IAS 39	OTHER FINANCIAL LIABILITIES	TOTAL
Assets						
Derivatives	2.3, 5.11	7 335	-	-	-	**7 335**
Investment in shares	8.3	2 008	-	-	-	**2 008**
Trade receivables	5.9	-	80 771	-	-	**80 771**
Other receivables	5.9 , 4.2 , 8.3	-	302 537	-	-	**302 537**
Cash and cash equivalents	5.8	123 065	-	-	-	**123 065**
Total financial assets		132 408	383 308	-	-	**515 716**
Liabilities						
Non-current interest-bearing loans and borrowings	5.5, 5.11	-	-	-	1 031 420	**1 031 420**
Current interest-bearing loans and borrowings		-	-	-	-	**-**
Accounts and other payables	5.5, 5.7	-	-	-	78 982	**78 982**
Derivatives	2.3, 5.11	-	-	32 477	-	**32 477**
Total financial liabilities		-	-	32 477	1 110 403	**1 142 880**

The Group did not reclassify any financial instruments during 2017.

Impairment of financial assets

Financial assets valued at amortized cost are impaired when objective evidence exists that the instrument's cash flows have been negatively affected by one or more events occurring after the initial recognition of the instrument. The impairment loss is recognised in the income statements. The loss is measured as the difference between the asset`s carrying value and the present value of estimated future cash flows discounted with the instruments original effective interest rate. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced.

De-recognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

USD 1 000 31.12.2016	NOTE	FINANCIAL ASSETS AT FAIR VALUE		FINANCIAL LIABILITIES AT FAIR VALUE		
		HELD FOR TRADING ACCORDING TO IAS 39	LOANS AND RECEIVABLES	HELD FOR TRADING ACCORDING TO IAS 39	OTHER FINANCIAL LIABILITIES	TOTAL
Assets						
Derivatives	2.3, 5.11	4 180	-	-	-	**4 180**
Trade receivables	5.9	-	8 766	-	-	**8 766**
Other receivables	5.9	-	99 243	-	-	**99 243**
Cash and cash equivalents	5.8	76 704	-	-	-	**76 704**
Total financial assets		80 884	108 008	-	-	**188 893**
Liabilities						
Non-current interest-bearing loans and borrowings	5.5, 5.11	-	-	-	98 120	**98 120**
Current interest-bearing loans and borrowings	5.5, 5.11	-	-	-	79 055	**79 055**
Accounts and other payables	5.5, 5.7	-	-	-	39 958	**39 958**
Total financial liabilities		-	-	-	217 132	**217 132**

The Group did not reclassify any financial instruments during 2016.

5.2. Financial risk management

Overview

The Group is exposed to a range of risks affecting its financial performance, including market risk (commodity risk, currency risk, interest rate risk), liquidity risk and credit risk. The Group seeks to minimize potential adverse effects of such risks through sound business practices, risk management and use of derivative financial instruments.

Risk management is carried out by senior management under policies approved by the Board. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December 2017 and 2016.

Commodity price risk

Point Resources is exposed to the risk of fluctuations in prevailing market commodity prices on the oil products it produces. The Group's policy is to manage these risks through the use of derivative commodity contracts (Brent crude oil put options).

Commodity price sensitivity

The table below summarises the impact on profit before tax for changes in commodity prices on the fair value of derivative financial instruments. The impact on equity is the same as the impact on profit after tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading and therefore fair valued through the income statements.

The following table demonstrates the sensitivity to a possible increase or decrease in the oil price, holding all other variables constant:

	INCREASE/ DECREASE IN OIL PRICE	EFFECT ON PROFIT BEFORE TAX (USD 1 000)	EFFECT ON EQUITY (USD 1 000)
31 December 2016	+/- 10 %	+/- 9 404	+/- 2 069
31 December 2017	+/- 10 %	+/- 19 232	+/- 4 231

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's reserve based lending facility with floating interest rate. As at 31 December 2017, the Group does not have any interest hedging instruments nor any fixed rate loan agreements.

Interest rate sensitivity

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax:

	INCREASE/ DECREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAX (USD 1 000)	EFFECT ON EQUITY (USD 1 000)
31 December 2016	+/- 100	+/- 2 706	+/- 1 597
31 December 2017	+/- 100	+/- 6 043	+/- 3 263

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange rate risk related to the value of NOK (functional currency) relative to other currencies, mainly due to sales in USD and operational costs in NOK, USD, GBP and EUR. The Group has also currency risk related to long term credit facility in USD. The Group may seek to reduce the currency risk by entering into foreign currency instruments. The Group does not have any currency hedging instruments as of 31 December 2017, however management is monitoring movements in exchange rates closely.

Further, fluctuations in NOK/USD may affect the presented figures of Point Resources, as the presentation currency is USD.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a possible increase or decrease in the NOK/USD exchange rate, holding all other variables constant:

	INCREASE/ DECREASE IN NOK/USD	EFFECT ON PROFIT BEFORE TAX (USD 1 000)	EFFECT ON EQUITY (USD 1 000)
31 December 2016	+/- 10 %	+/- 5 158	+/- 2 302
31 December 2017	+/- 10 %	+/- 86 516	+/- 46 714

(b) Liquidity risk

Liquidity risk is the risk that Point Resources will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of resource based lending structures, parent company loan facility, bonds etc. As at 31 December 2017, Point Resources had available USD 159 million (2016: USD 0 million) of undrawn committed borrowing facilities.

See note 5.5 for an overview of maturity profile on Point Resources' financial liabilities and accessible borrowing facility from Point Resources Holding AS.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Point Resources trades only with recognised, creditworthy third parties.

Outstanding customer receivables are regularly monitored. See note 5.9 for comments regarding trade receivables ageing. Point Resources' maximum exposure is equal to the carrying amount of the receivables.

As part of the transaction with ExxonMobil in 2017, the seller has in the sale and purchase agreement agreed to pay parts of the decommissioning costs for Jotun and the Group has recorded a receivable against ExxonMobil to cover those costs that are within compensation threshold (note 4.2). The Group expects that all Jotun decommissioning costs will be refunded.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and derivative financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group's limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

Management is of the opinion that Point Resources does not have significant credit risk.

5.3. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes have been made in the objectives, policies or processes since the inception of Point Resources in May 2016.

The Group's net debt includes interest-bearing loans and borrowings, trade and other payables, less cash and cash deposits.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest bearing loans and borrowing in the current period. Reference is made to section 5.5 for disclosed information regarding interest bearing debt and financial covenants.

The Company has not paid any dividend in 2017.

5.4. Share capital

The Group's shareholder, Point Resources Holding AS, has a shareholders agreement with its owners Core Energy Holding AS, Spike Exploration AS and Pure E&P AS which sets guidelines for the Group's management, business operations, funding and investor relations.

The capital increase in 2017 was an increase of the nominal value per share.

The ultimate parent

The Company is owned by Point Resources Holding AS which is indirectly owned by private equity funds managed by HitecVision.

AMOUNT IN USD	NUMBER OF SHARES	NOMINAL AMOUNT ORDINARY SHARES	TOTAL SHARE CAPITAL
At 1 January 2016	10 000	147 208	**147 208**
Treasury shares purchases/sold	-	-	-
Split of shares	1 090 000	-	-
Capital increase, conversion of debt	219 596	26 658	**26 658**
Capital increase, merger	7 652 784	929 007	**929 007**
Capital increase, conversion of debt	1 062 930	129 034	**129 034**
At 31 December 2016	10 035 310	1 231 906	**1 231 906**

AMOUNT IN USD	NUMBER OF SHARES	NOMINAL AMOUNT ORDINARY SHARES	TOTAL SHARE CAPITAL
At 1 January 2017	10 035 310	1 231 906	**1 231 906**
Capital increase, increase of the nominal value	-	118 126	**118 126**
At 31 December 2017	10 035 310	1 350 033	**1 350 033**

The nominal value of the shares is valued in NOK.
Each share has a nominal value of NOK 1.00.

THE GROUP'S SHAREHOLDERS AT 31.12.2017	SHARES	OWNERSHIP INTEREST
Point Resources Holding AS	10 035 310	100 %
Total number of shares excluding treasury shares	10 035 310	100 %
Treasury shares at 31.12.17	0	0 %
Total number of shares including treasury shares	10 035 310	100 %

No ordinary or extraordinary dividend was distributed in 2017.

Reconciliation of equity is shown in the statement of changes in equity.

5.5. Financial liabilities and borrowings

The accounting policy concerning loans and borrowings is described in note 5.1.

Credit facilities - utilised and unused amount

USD 1 000	31.12.2017	31.12.2016
Utilised amount credit facilities	542 000	180 162
Unused amount credit facilities	-	-

The RBL credit facility has an undrawn amount of USD 158 million subject to that the borrowing base as set out in the agreement is available. In addition, the Group has additional USD 159 million in accessible borrowing facility from Point Resources Holding AS if certain conditions are met.

Commitments related to loans and borrowings

USD 1 000	31.12.2017	31.12.2016
Interest-bearing loans and borrowings	1 031 420	177 174
Trade and other payables	245 444	51 958
Less cash and short-term receivables	-360 488	-184 713
Net debt	916 376	44 419
Equity	254 481	221 608
Total capital	2 853 236	670 471
Capital and net debt	1 170 857	266 027
Gearing ratio	80 %	44 %
Equity ratio	9 %	33 %

In relation to the reserve based lending facility, Point Resources is obliged to submit a liquidity test every three months to ensure liquidity levels comply with what is outlined in the RBL agreement (the Group and the ultimate parent company (Point Resources Holding AS) shall have a net remaining cash or cash equivalents balance greater than zero). In addition there is a covenant related to a max ratio of the Group's Net Debt divided by the Group's EBITDAX.

No covenants were breached in 2017.

Financial liabilities and borrowings

31.12.2017

USD 1 000	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
Interest-bearing loans and borrowings	34 977	-	219 718	776 725	**1 031 420**
Other liabilities	60 087	7 166	58 893	40 316	**166 462**
Trade and other payables	78 982	-	-	-	**78 982**
Totals	174 046	7 166	278 611	817 041	**1 276 864**

31.12.2016

USD 1 000	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
Interest-bearing loans and borrowings	-	79 055	-	98 120	**177 175**
Other liabilities	-	-	12 000	-	**12 000**
Trade and other payables	38 312	1 645	-	-	**39 957**
Totals	38 312	80 700	12 000	98 120	**229 132**

Interest-bearing loans and borrowings

	INTEREST RATE	MATURITY	31.12.2017	31.12.2016
RBL Credit facility	4.38 %	2024	**528 681**	98 120
Deferred payment ExxonMobil [1)]	2.8 %	2020	**113 512**	-
Deferred payment ExxonMobil	1.8 %	2020	**141 184**	
Loans from related companies	4.38 %	2024	**248 043**	-
Total non-current interest-bearing loans and borrowings			**1 031 420**	98 120

1) Related to shares and interest in subsidiaries

Current interest-bearing loans and liabilites

	INTEREST RATE	MATURITY	31.12.2017	31.12.2016
Exploration Finance Facilities	2.6 %	2017	-	79 055
Total current interest-bearing loans and borrowings			-	79 055

Carrying amount of assets provided as security for the borrowing base facility:

USD 1 000	31.12.2017	31.12.2016
Producing assets	**363 815**	221 171
Inventories	**63 819**	9 085
Trade and other receivables	**237 423**	108 008
Cash and short-term deposits	**123 065**	76 704
Totals	**788 122**	414 968

Security related to the Group's revolving exploration financing facility is pledged in the tax receivables from the refund according to the Norwegian Petroleum Act.

Security related to the Group's reserve based lending facility include specified carrying value of assets, assignment of right under insurance proceeds, assignment of hedging agreements, intra-group claims with Point Resources Holding AS, as well as share pledge in Point Resources AS.

5.6. Changes in liabilities arising from financing activities

USD 1 000	1 JANUARY 2017	CASH FLOWS	OBTAINING CONTROL OF SUBSIDIARIES OR OTHER BUSINESSES	FOREIGN EXCHANGE MOVEMENT	CHANGES IN FAIR VALUES	NEW LEASES	OTHER	31 DECEMBER 2017
Current interest-bearing loans and borrowings (excluding items listed below)	79 055	-79 055	-	-	-	-	-	0
Current obligations under finance leases and hire purchase contracts	-	-	-	-16	-	2 278	-	2 262
Non-current interest-bearing loans and borrowings (excluding items listed below)	98 120	678 999	-	11 043	-	-	243 257	1 031 420
Non-current obligations under finance leases and hire purchase contracts	-	-	-	-154	-	21 954	-	21 801
Dividends payable	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
Total liabilities from financing activities	177 175	599 944	-	10 874	-	24 232	243 257	1 055 483

The 'Other' column includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings and amortized borrowing costs and deferred payments related to the business combination.

5.7. Accounts and other payables

Accounting policy - Accounts and other payables

For policies on trade payables refer to note 5.1

Terms and conditions related to accounts and other payables:

- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Other payables are non-interest bearing and have an average term of six months
- Payables and accruals to a joint operations partner mainly represent joint expenses that were paid by the joint operations partner, which are non-interest bearing and are normally settled on a 30-day terms

USD 1 000	31.12.2017	31.12.2016
Trade creditors	21 020	10 182
Prepayments from customers	-	69
Withholding payroll taxes and social security	3 946	1 831
Holiday pay	4 408	1 442
Overlift oil	-	3 599
Working capital, trade creditors, joint operations	4 166	1 112
Working capital, accruals, joint operations	-	5 068
VAT payable	-	1 262
Government taxes, tax deductions etc.	3 726	-
Accrued expenses	41 717	15 392
Total Accounts and other payables	78 982	39 958

5.8. Cash and cash equivalents

Accounting policy - Cash and short-term deposits

Cash and short-term deposits comprise of cash at banks and short-term deposits with a maturity of three months or less. Cash and short-term deposits exclude restricted cash, which is not available for use by the Group and therefore is not considered highly liquid.

For more information on the Group's credit facilities see note 5.5.

USD 1 000	31.12.2017	31.12.2016
Bank deposits, unrestricted	119 236	75 569
Bank deposit, restricted, employee taxes	3 829	970
Bank deposits, restricted, office rental deposit	-	165
Bank deposits, restricted, other	-	-
Total bank deposits	123 065	76 704

5.9. Trade and other receivables

Accounting policy - Trade and other receivables

For policies on trade receivables refer to note 5.1

Trade receivables are non-interest bearing and are generally on 30-day terms.

In determining the recoverability of a trade or other receivable, the Group performs a risk analysis considering the type and age of the outstanding receivable and the creditworthiness of the counterparties.

USD 1 000	NOTE	31.12.2017	31.12.2016
Trade receivables		80 771	7 899
Accrued revenues		1 210	866
Refund payable tax	6.1	-	84 374
Underlift oil		8 790	1 056
Underlift NGL		-	1 054
Working capital, receivables, joint operations		-24	754
Working capital, prepayments, joint operations		584	1
Over call, joint operations		26 003	9 561
Prepayments		5 980	2 442
Other receivables		114 109	-
Total trade and other receivables		237 423	108 008

Other receivables primarily consist of receivables related to decommissioning costs for Jotun, for more information see note 4.2.

TRADE RECEIVABLES	TOTAL	NOT DUE	DUE
31.12.2017	80 771	79 408	1 363
31.12.2016	7 899	7 899	-

The Group has no impaired trade receivables in 2016 or 2017.

5.10. Financial income and financial expenses

Accounting policy - Financial income and expenses

For accounting principles related to underlying financial instruments, reference is made to note 5.1

USD 1 000	31.12.2017	31.12.2016
Interest income on bank accounts and receivables	2 788	970
Interest income on tax receivable	-	-
Net exchange rate gain	3 470	6 747
Other financial income	-	100
Financial income	6 258	7 817
Interest expense on financial liabilities measured at amortised cost	-12 701	-14 025
Accretion expenses (asset retirement obligation)	-10 781	-4 063
Interest expense on financial liabilities to group companies measured at amortised cost	-	-
Net exchange rate loss	-3 367	-
Impairment of financial assets	-	-5 857
Other financial expenses	-4 806	-6 709
Financial expenses	-31 655	-30 654
Net financial items	-25 397	-22 837

5.11. Fair Value measurement

Accounting policies - Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into classes and categories. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

Fair value hierarchy

The Group measures fair value using the fair value hierarchy as described below, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in an active market for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

CARRYING AMOUNT ASSETS MEASURED/DISCLOSED AT FAIR VALUE	DATE OF VALUATION	31.12.2016	LEVEL 1	LEVEL 2	LEVEL 3
Derivative financial assets	31.12.2016	4 180		x	

ASSETS MEASURED/DISCLOSED AT FAIR VALUE	DATE OF VALUATION	31.12.2017	LEVEL 1	LEVEL 2	LEVEL 3
Derivative financial assets	31.12.2017	7 335		x	

CARRYING AMOUNT LIABILITIES MEASURED/DISCLOSED AT FAIR VALUE	DATE OF VALUATION	31.12.2016	LEVEL 1	LEVEL 2	LEVEL 3
Interest-bearing loans and borrowings	31.12.2016	177 174			x

LIABILITIES MEASURED/DISCLOSED AT FAIR VALUE	DATE OF VALUATION	31.12.2017	LEVEL 1	LEVEL 2	LEVEL 3
Interest-bearing loans and borrowings	31.12.2017	1 031 420			x
Derivative financial liabilities		32 477		x	

The table above discloses information about all assets and liabilities that are measured at fair value.

There were no transfers between the levels during 2017 or 2016.

Fair value of financial instruments

Below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments.

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Commodity put options are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include observable inputs and use of present value calculations (hierarchy level 2). The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, oil price spot and forward rates and interest rate curves and forward rate curves of the underlying commodity (oil). All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Group's own non-performance risk. As at 31 December 2017, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on measurement of financial instruments recognised at fair value. The fair value calculations are made by the Group's respective bank relations.

The fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF-method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. Point Resources' own non-performance risk as at 31 December 2017 was assessed to be insignificant.

	31.12.2017		31.12.2016	
USD 1 000	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets				
Trade and other receivables	**383 308**	**383 308**	108 008	108 008
Derivative financial assets	**7 335**	**7 335**	4 180	4 180
Cash and short-term deposits	**123 065**	**123 065**	76 704	76 704
Financial liabilities				
Interest-bearing loans and borrowings	**1 031 420**	**1 031 420**	177 174	177 174
Accounts payable and accrued liabilities	**78 982**	**78 982**	39 958	39 958

Section 6 Tax

6.1. Tax

Accounting policy - Tax

Income tax in the statement of income comprises of current and deferred tax expense. Income tax is recognised in the statement of income except when it relates to items recognised in OCI. Current tax consists of the expected tax payable on the taxable income for the year and any adjustment to tax payable for previous years.

Uncertain tax positions and potential tax exposures are analysed individually. The best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and for assets to be received (disputed tax positions for which payment has already been made) in each case is recognised within current tax or deferred tax as appropriate.

A tax-free allowance (uplift) of 5.5 percent per year is granted on the basis of capitalised cost on offshore production installations on NCS. The uplift is deductible from petroleum taxable income over a period of four years from the year the cost incurred. Uplift benefit on the NCS is recognised when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Production installations can be depreciated linearly over six years. Depreciation can start as expenses are incurred. Any remaining cost may be deducted in the final year at the end of production.

Interest income and interest expenses relating to tax issues are estimated and recognised in the period in which they are earned or incurred, and are presented within Net financial items in the statement of income.

USD 1 000	2017	2016
Current income tax expense in respect of current year	-15 199	86 608
Prior period adjustment	-314	-382
Current income tax expense	-15 514	86 225
Origination and reversal of temporary differences	43 108	15 879
Change in tax regulations		405
Prior period adjustments	-118	2 307
Deferred tax expense	42 990	18 591
Income tax expense	27 477	104 817

Reconciliation of nominal statutory tax rate to effective tax rate:

USD 1 000	2017	2016
Income before tax	-59 279	-149 270
Calculated income tax at statutory rate	14 227	37 318
Calculated Norwegian Petroleum tax	33 491	79 113
Tax effect uplift	27 512	7 229
Tax effect of permanent differences	-11 052	-13 833
Tax effect of finance income/expense	-35 061	-8 792
Change in unrecognised deferred tax assets	-1 413	1 453
Change in tax regulations	217	405
Prior period adjustments	-445	1 925
Other items including currency effects	-	-1
Income tax expense	27 477	104 817
Effective tax rate	46 %	70 %

USD 1 000	2017	2016
Taxes payable / Refund payable tax	-21 585	84 374
Current income tax expense in respect of current year	-15 199	86 608
Currency effects	440	-2 234
Tax payable (Point Resources FPSO AS) before 1 November 2017 [1)]	-6 826	-
Total taxes payable / Refund payable tax	-21 585	84 374

1) For accounting purposes the income statement reflects the acquired operation from ExxonMobil from 1 November 2018. For tax and economic purposes, the effective date was 1 January 2017.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised.

Companies operating on the NCS under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full.

Deferred tax assets and liabilities are offset to the extent that the deferred taxes relate to the same fiscal authority, and there is a legally enforceable right to offset current tax assets against current tax liabilities. After netting deferred tax assets and liabilities by fiscal entity, deferred taxes are presented on the balance sheet as follows:

Deferred tax assets are recognised based on the expectation that sufficient taxable income will be available through reversal of taxable temporary differences or future taxable income.

Deferred tax assets and liabilities

USD 1 000	TAX LOSSES CARRIED FORWARD	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	ASSET REMOVAL OBLIGATION AND OTHER OBLIGATIONS	UPLIFT	DERIVA-TIVES	OTHER	TOTAL
Deferred tax at 31.12.2017							
Deferred tax assets	2 476	-	664 627	-	-	809	667 912
Deferred tax liabilities	-	-841 875	-	-	5 529	-66 008	-902 353
Total asset (liabilities) at 31.12.2017	2 476	-841 875	664 627	-	5 529	-65 199	-234 442
Deferred tax assets allowance	-2 081						-2 081
Net asset (liabilities) at 31.12.2017	395	-841 875	664 627	-	5 529	-65 199	-236 522
Deferred tax at 31.12.2016							
Deferred tax assets	20 091	-	71 351	33 314	-	-	124 756
Deferred tax liabilities	-	-250 411	-	-	-501	-685	-251 597
Total asset (liabilities) at 31.12.2016	20 091	-250 411	71 351	33 314	-501	-685	-126 841
Deferred tax assets allowance	-966						-966
Net asset (liabilities) at 31.12.2016	19 125	-250 411	71 351	33 314	-501	-685	-127 807

USD 1 000	2017	2016
Changes in net deferred tax liability during the year were as follows:		
Net deferred tax liability at 1 January	127 807	142 963
Charged (credited) to the statement of income	-42 990	-18 592
Against equity (Point Resources AS)	139 809	-
Translation differences and other	11 897	3 435
Net deferred tax liability at 31 December 2017	236 522	127 807

USD 1 000	31.12.2017	31.12.2016
Deferred tax assets	809	-
Deferred tax liabilities	-237 331	-127 807
Net deferred tax liability at 31 December 2017	-236 522	-127 807

Section 7 Staff costs and remuneration

7.1. Staff costs and remuneration

Pensions
The Group has a defined contribution pension plan for its employees which satisfies the statutory requirements in the Norwegian law on required occupational pension ("lov om obligatorisk tjenestepensjon").

The scheme is a contribution plan. Contributions are paid to pension insurance plans and charged to the income statement in the period to which the contributions relate. Once the contributions have been paid, there are no further payment obligations.

USD 1 000	31.12.2017	31.12.2016
Salary expenses	20 244	18 028
Employer's payroll tax expenses	3 179	2 732
Pensions	1 650	1 569
Other personnel expenses	496	390
Total salaries and social expenses	25 569	22 719
Of this:		
Personnel expenses reclassified to exploration	12 070	18 994
Personnel expenses reclassified to development	1 271	-
Personnel expenses reclassified to cost of sales	11 962	2 733
Personnel expenses reclassified as G&A	266	992
Number of FTE's	106	63
Total headcount	358	57

7.2. Management remuneration

The Chief Excecutive Officer (CEO) is part of the Group's ordinary bonus scheme and aslo have the right to severance payment if the Group terminates the employment. Refer to Note 7.2 in the Financial Statements for Point Resources AS disclosing information to the Group's management remuneration.

The management takes part in the general pension scheme described in the pension note.

No loans have been granted and no guarantees have been issued to CEO or any member of the Board of Directors. The chairman of the board, Jan Harald Solstad, stepped in as acting CEO in November 2016 while employed in HitecVision. No compensation was paid from the Company in 2016. In 2017 the Group paid USD 446 thousand as compensation to HitecVision from 1 January - 31 October.

As part of the transaction with ExxonMobil in 2017 Morten Mauritzen was appointed as new CEO in November 2017.

Compensation to Chief Excecutive Officer (CEO)

USD 1 000

2017	SALARY	BONUS	PENSION COST	OTHER COMPENSATION	TOTAL REMUNERATION
Morten Mauritzen (1 November -)	105	-	3	3	111
Total remuneration	105	-	3	3	111

2016	SALARY	BONUS	PENSION COST	OTHER COMPENSATION	TOTAL REMUNERATION
Former CEO	411	190	26	11	638
Total remuneration	411	190	26	11	638

Remuneration to Board of Directors

USD 1 000	31.12.2017	31.12.2016
Inge K. Hansen (Chairman)	105	60
Ole Ertvaag	-	-
Pål Magnus Reed	-	-
Gunnar Halvorsen	-	-
Øivind Reinertsen [1)]	159	151
Tim P. Bushell [2)]	218	88
Total compensation to Board of Directors	483	299

1) Including consulting fee to Oere Invest & Consulting AS
2) Includig consulting fee to Redrock Energy Ltd

Section 8 Other disclosure

8.1. Subsequent events

In January 2018, the Company was awarded ten new licences in the APA 2017 licensing round. In two of the licences Point Resources was appointed operatorship.

2 March 2018, the Norwegian Petroleum Directorate announced an oil discovery in production licence 340. Preliminary estimates indicate that the size of the discovery is between 5 and 10 million standard cubic meters (Sm3) of recoverable oil. The licencees will consider a tie-in of the discovery to the existing infrastructure in the Alvheim area. Point Resources has a 20 per cent participating interest.

13 March 2018, Point Resources successfully completed a senior unsecured bond issue of USD 250 million with maturity in September 2024.

On 5 April, the Ministry of Petroleum and Energy approved the plan for development and operation (PDO) for the Fenja field (PL586) in the Norwegian Sea. The Company has 45 per cent ownership interest in the field.

8.2. Reserves (un-audited)

The following table reflects the Group's net entitlement proven and probable reserves.

MILLION BOE	BALDER/ RINGHORNE	RINGHORNE ØST	BRAGE	BØYLA	BAUGE/ HYME	SNORRE	FENJA	TOTAL RESERVES
Opening balance 1 January 2016	-	-	5.7	3.4	3.1	4.5	-	**16.7**
Production	-	-	-0.7	-0.9	-0.4	-0.4	-	**-2.4**
Revisions and reclassifications	-	-	-1.5	0.1	-0.3	0.7	-	**-1.0**
Aqusitions or sales	-	-	-	-	-	-	-	**-**
Increased oil recovery	-	-	0.7	-	-	-	-	**0.7**
Discoveries	-	-	-	-	-	-	-	**-**
31 December 2016	-	-	4.1	2.7	2.4	4.8	-	**14.0**
Production	-2.1	-0.4	-0.4	-0.5	-	-0.3	-	**-3.7**
Revisions and reclassifications	-	-	0.4	-0.5	12.9	1.8	42.8	**57.4**
Additions through business combinations	101.9	23.8	-	-	-	-	-	**125.7**
Aqusitions or sales	-	-	-	-	-	-	-	**-**
Increased oil recovery	-	-	0.2	-	-	-	-	**0.2**
Discoveries	-	-	-	-	-	-	-	**-**
31 December 2017	99.8	23.4	4.3	1.7	15.3	6.3	42.8	**193.6**

During 2017 the Fenja field (42.7 million boe) was reclassified from 2C (Contingent Resources) to 2P (Probable reserves).

Production on Balder, Ringhorne and Ringhorne Øst where 13.3 million boe before the business combination and is not reflected in the table above. For more information on the business combination see note 2.1. If the transaction with ExxonMobil had occurred 1 January 2017, total production for the Group would have been 17 million boe.

At year end the reserves (2P) and contingent resources (2C) were 369 million barrels of oil equivalent.
As discussed in the accounting principles, estimation of oil and gas reserves and resources involves uncertainty. The figures above represent management's best judgement of the most likely quantity of economically recoverable oil and gas estimated at year-end 2017, given the information at the time of reporting. The estimates have a large spread especially for fields for which there is limited data available. The uncertainty will be reduced as more information becomes available through production history and reservoir appraisal. In addition, for fields in the decline phase with limited remaining volumes, fluctuations in oil prices will have a significant impact on the profitability and hence the economic cut-off for production.

8.3. Related parties

Balances with related parties

USD 1 000		31.12.2017	31.12.2016
Pure E&P AS	Receivables/Liabilities (-)	88	9
Rocksource Gulf of Mexico Corp	Receivables/Liabilities (-)	1	5
Oere Invest & Consulting AS [1]	Management consultancy	-	Note 7.2
Redrock Energy Ltd [2]	Management consultancy	-	Note 7.2
Point Resources Holding AS	Receivables/Liabilities (-)	1 651	
Spike Exploration AS	Receivables/Liabilities (-)	12	
Spike Exploration UK	Receivables/Liabilities (-)	5	
Core Energy Holding	Receivables/Liabilities (-)	91	
Pure E&P Holding AS	Receivables/Liabilities (-)	284	
Geotech Software Solutions AS	Receivables/Liabilities (-)	2	
Rocksource Gulf of Mexico AS	Receivables/Liabilities (-)	6	
CE Investment AS	Receivables/Liabilities (-)	12	
Point Resources Holding AS	Receivables/Liabilities (-)	-248 043	
Other non-current assets, related parties		2 004	
Trade and other receivables, related parties		150	
Loans from related companies		-248 043	

1) Company controlled by board member Øivind Reinertsen
2) Company controlled by board member Tim P. Bushell

Transactions with related parties

USD 1 000		2017	2016
Pure E&P AS	Man hour	-	34
Rocksource Gulf of Mexico Corp	Man hour	36	38
Spike Exploration UK Ltd [1]	Man hour	-	148
Oere Invest & Consulting AS [2]	Management consultancy	Note 7.2	Note 7.2
Redrock Energy Ltd [3]	Management consultancy	Note 7.2	Note 7.2
HitecVision AS	Advisory and negotiation fees	-2 008	-441

1) Receivable from Spike Exploration UK Ltd was impaired by kUSD 4 071 in 2016.
2) Company controlled by board member Øivind Reinertsen
3) Company controlled by board member Tim P. Bushell

The Group has a RBL Credit facility with Point Resources Holding AS, for more information see note 5.5.

INVESTMENT IN SHARES		OWNERSHIP PERCENTAGE		CARRYING AMOUNT	
USD 1 000	BUSINESS LOCATION	2017	2016	2017	2016
Pure E&P Holding AS	Oslo, Norway	0.4 %	-	2 008	-
Total investment in shares				2 008	-

The shares listed above are not consolidated in the Group financial statements and are measured at cost. For more information on the valuation techniques see note 5.1.

8.4. Licences and joint arrangements

Accounting policy – Joint arrangements

The Group undertakes a number of business activities through joint arrangements and unincorporated cooperation arrangements. According to IFRS 11 a joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. For unincorporated cooperation arrangements various voting rules not necessarily requiring unanimous consent apply.

Joint operations and unincorporated cooperation arrangements

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement also have rights to the assets and obligations for the liabilities, relating to the arrangement.

Licences that are unincorporated cooperation agreements are outside of scope of IFRS 11, but the accounting is generally the same.

In relation to its interests in joint operations and unincorporated cooperation agreements, the Group recognises its share of assets, liabilities, revenue, expenses and cash flow on a line-by-line basis in the financial statements.

Point Resources' portfolio of licences

Point Resources have investments in licences on NCS and most of its licences are considered to be joint operations. Point Resources is required to participate in the approved work programs for the licences, and does have joint responsibility for the obligations of its joint operations.

A list of all Point Resources' licences is given below, divided in fields in operation and fields not yet in operation.

LICENCE	WI %	OPERATOR	PHASE
PL001/CS	100.0 %	Point Resources	Production
PL027/B/C/FS	100.0 %	Point Resources	Production
PL028/S	100.0 %	Point Resources	Production
PL053B	12.3 %	Wintershall	Production
PL055/B/D	12.3 %	Wintershall	Production
PL057	4.9 %	Statoil	Production
PL107/B/D	5.0 %	Statoil	Development
PL169E	13.0 %	Statoil	Production
PL185	12.3 %	Wintershall	Production
PL340/BS	20.0 %	Aker BP	Production
PL348/B	17.5 %	Statoil	Prod / Development
PL375	20.0 %	Suncor	Exploration
PL554/B/C	30.0 %	Total	Exploration
PL586	45.0 %	VNG	Development
PL740/B/C	50.0 %	Faroe	Exploration
PL746 S	40.0 %	Point Resources	Exploration
PL775/B	20.0 %	ConocoPhilips	Exploration
PL777/B/C/D	20.0 %	Aker BP	Exploration
PL784	20.0 %	Aker BP	Exploration
PL796	20.0 %	Statoil	Exploration
PL819	40.0 %	Suncor	Exploration
PL821B	40.0 %	Aker BP	Exploration
PL822S	40.0 %	Aker BP	Exploration
PL824	40.0 %	Point Resources	Exploration
PL826	40.0 %	Point Resources	Exploration
PL833	30.0 %	Statoil	Exploration
PL834	30.0 %	Statoil	Exploration
PL835	40.0 %	Statoil	Exploration
PL843	20.0 %	Aker BP	Exploration
PL869	20.0 %	Aker BP	Exploration

Licences relinquished/sold in 2017

LICENCE	WI %	OPERATOR	PHASE	STATUS
PL103B	100.0 %	Point Resources	Exploration	Relinquished
PL226	20.0 %	Eni	Exploration	Relinquished
PL226/ B	20.0 %	Eni	Exploration	Relinquished
PL528	10.0 %	Centrica	Exploration	Farm out
PL528B	10.0 %	Centrica	Exploration	Farm out
PL610	12.5 %	Engie	Exploration	Relinquished
PL659	15.0 %	Aker BP	Exploration	Farm out
PL708	10.0 %	Lundin	Exploration	Relinquished
PL716	10.0 %	Eni	Exploration	Relinquished
PL717	20.0 %	Eni	Exploration	Relinquished
PL791	50.0 %	Point Resources	Exploration	Relinquished
PL797	25.0 %	Lotos	Exploration	Relinquished

8.5. Earnings per share

Accounting policy - Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

USD 1 000	2017	2016
Profit attributable to ordinary equity holders	-31 802	-44 454
Profit attributable to ordinary equity holders for basic earnings	-31 802	-44 454
Interest on convertible preference shares	-	-
Profit attributable to ordinary equity holders adjusted for the effect of dilution	-31 802	-44 454

NUMBER OF SHARES	2017	2016
Weighted average number of ordinary shares for basic EPS [1)]	10 035 310	6 723 254
Effects of dilution from:		
Share options	-	-
Convertible preference shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution [1)]	10 035 310	6 723 254

1) The weighted average number of shares takes into account the weighted average effect of changes in shares during 2016. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

As Point Resources does not have any share options or convertible preference shares as of 31 December 2017 there are no differences between basic and diluted EPS.

8.6. Net profit Interest

Accounting policy - Net profit interest

The Norwegian state has large holdings in oil and gas licences on Norway's continental shelf (NCS) through the State's Direct Financial Interest (SDFI). The Balder, Ringhorne and Ringhorne Øst fields are subject to a Net profit interest ("NPI") as these fields are located on some of the first licences issued on the NCS. SDFI receive a share of the net profit of the few fields in Norway subject to such agreements. Petoro is a state-owned limited company which manages the SDFI in the Norwegian oil and gas sector.

The net profit interest is calculated based quarterly cash flows. Losses in a quarter can be offset against profits in subsequent quarters. NPI related to abandonment costs incurred after cessation of production will be refunded by Petoro.

LICENCE	NET PROFIT INTEREST TO PETORO
PL027	17.50 %
PL028	17.50 %

USD 1 000	2017	2016
PL027	1 987	-
PL028	523	-
Cost of Net profit licences	2 510	-

Alternative Performance Measures

Point Resources discloses alternative performance measures (APM) as part of its financial statements prepared in accordance with IFRS. These performance measures are used in the Company's internal reporting as well as by analysts, investors and other interested parties. The disclosures of these APM's are meant to provide insight into the operation and future prospect of the Company.

Definitions of the performance measures are provided in the table below:

	2017	2016
Equity APMs		
Earnings per share	-3.17	-6.61
Earnings per share fully diluted	-3.17	-6.61
Equity ratio	9 %	33 %
Operating APMs		
EBIT	-31 373	-126 434
EBITDAX	93 959	61 052
Direct production cost (boe)	10.0	6.7
Transportation cost (boe)	0.9	2.3
Amortisation and depreciation (boe)	19.7	26.1
General and administation cost (boe)	2.3	5.4
Other APMs		
Net cash flow on acquisition	-635 541	-
Net debt	916 376	44 419
Total capital	2 853 236	670 471
Capital and net debt	1 170 857	266 027
Gearing ratio	80 %	40 %

Earnings per share: Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year.

Earnings per share fully diluted: Net result attributable to shareholders of the Parent Company divided by the weighted average number of shares for the year considering any dilution effect.

EBIT: Operating profit before interest, other financial items and taxes.

EBITDAX: Operating profit before interest, other financial items, taxes, impairment costs, depreciation and exploration costs.

Equity ratio: Total equity divided by total assets.

Net debt: Cash and cash equivalents subtracting short and longterm debt.

Direct production cost (boe): Lifting costs divided by the number of produced barrels of oil equivalents.

Transportation cost (boe): The expense of moving oil and gas products divided by the number of produced barrels of oil equivalents.

Amortisation and depreciation (boe): Total amortisation and depreciation divided by the number of produced barrels of oil equivalents.

General and administration cost (boe): Total general and administrative expenses divided by the number of produced barrels of oil equivalents.

Net cash flow on acquisition: The net result between cash paid for the acquisition and cash acquired in the transaction.

Gearing Ratio: The interest bearing loans and borrowings divided on the sum of equity and interest bearing loans and borrowings.

Capital and net debt: The sum of net debt and equity in the Company.

Financial Statements Point Resources AS (Parent Company)

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Statements of comprehensive income

1 January - 31 December

USD 1 000	NOTES	2017	2016
Petroleum revenues	1.4, 2.2, 2.3	192 324	94 044
Production cost	2.4	-52 119	-33 739
Other income and expenses including results from hedging activities	2.3	-40 136	3 296
General and administrative expenses	2.5	-13 364	-2 549
EBITDAX		86 705	61 052
Exploration expenses	2.6	-56 476	-120 777
Depreciation, depletion, amortisation and impairment	3.2, 3.3, 3.4	-65 341	-66 709
Operating profit/(loss) (EBIT)		-35 112	-126 434
Finance income	5.10	6 152	7 817
Finance costs	5.10	-30 552	-30 654
Profit/(loss) before net profit interest and income taxes		-59 511	-149 271
Net profit interest	8.6	-2 510	-
Profit/(loss) before income taxes		-62 021	-149 270
Income tax expenses	6.1	28 075	104 817
Profit/(loss) for the year		-33 946	-44 454
Items that may be reclassified subsequently to income statement:			
Currency translation differences		13 618	1 627
Income tax relating to items that may be reclassified		-	-
Total comprehensive income/(loss)		-20 328	-42 827
Earnings per share	8.5		
Basic, profit for the year attributable to ordinary equity holders of the parent		-3.38	-6.61
Diluted, profit for the year attributable to ordinary equity holders of the parent		-3.38	-6.61

Statements of financial position

USD 1 000	NOTES	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	3.4	558 567	14 894
Other intangible assets	3.4	36 856	-
Exploration and evaluation assets	3.1	196 905	234 180
Tangible fixed assets			
Oil and gas properties	3.2	1 374 447	222 856
Other property, plant and equipment	3.3	25 450	563
Financial assets			
Shares in subsidiaries	8.7	495	-
Other non-current assets	2.1, 4.2, 8.3	149 604	-
Total non-current assets		2 342 324	472 493
Current assets			
Inventories	2.4	59 832	9 085
Trade and other receivables	5.9	237 337	108 008
Other current financial assets	5.1, 5.11	9 343	4 180
Cash and short term deposits	5.8	75 335	76 704
Total current assets		381 847	197 978
TOTAL ASSETS		2 724 172	670 471

Statements of financial position

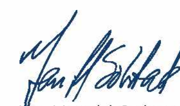
USD 1 000	NOTES	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Share capital	5.4	1 350	1 232
Share premium		582 679	533 350
Other equity		-331 667	-312 974
Total equity		252 362	221 608
Non-current liabilities			
Interest-bearing loans and borrowings	5.1, 5.5, 5.11	669 865	98 120
Deferred tax liabilities	6.1	232 154	127 807
Non-current abandonment provision	4.2	965 230	91 925
Loans from related companies	5.1, 5.5, 5.11, 8.3	248 043	-
Other non-current liabilities	4.1	103 565	12 000
Total non-current liabilities		2 218 857	329 852
Current liabilities			
Current abandonment provision	4.2	97 744	-
Accounts payable and accrued liabilities	5.7	79 010	39 958
Taxes payable	6.1	13 303	-
Interest-bearing loans and borrowings	5.1, 5.5, 5.11	-	79 055
Other current liabilities	4.1	30 418	-
Other current financial liabilities	5.1, 5.11	32 477	-
Total current liabilities		252 953	119 012
Total liabilities		2 471 810	448 864
TOTAL EQUITY AND LIABILITIES		2 724 172	670 471

Oslo, 27 April 2018
The Board of Directors of Point Resources AS

Inge Ketil Hansen
Chairman

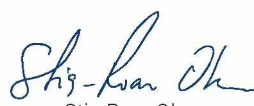
Ole Ertvaag
Board member

Pål Magnus Reed
Board member


Jan Harald Solstad
Board member

Øivind Reinertsen
Board member

Timothy Paul Bushell
Board member


Stig-Roar Olsen
Board member

Øyvind Evensen
Board member

Bjørn Magne Sætervik
Board member

Morten Mauritzen
Chief Executive Officer

Statements of equity

USD 1 000	NOTE	SHARE CAPITAL	SHARE PREMIUM	OTHER EQUITY	OTHER EQUITY TRANSLATION DIFFERENCES	OTHER EQUITY RETAINED EARNINGS (LOSS)	TOTAL EQUITY
Balance at 1 January 2016		147	453 222	-	498	-270 645	**183 222**
Profit/(loss) for the year		-	-	-	-	-44 454	**-44 454**
Other comprehensive income/(loss)		-	-	-	1 627	-	**1 627**
Total comprehensive income/(loss)		-	-	-	1 627	-44 454	**-42 827**
Issue of share capital	5.4	1 085	80 128	-	-	-	**81 213**
Dividends paid		-	-	-	-	-	**-**
Balance at 31 December 2016		1 232	533 350	-	2 125	-315 099	**221 608**
Balance at 1 January 2017		1 232	533 350	-	2 125	-315 100	**221 608**
Profit/(loss) for the year		-	-	-	-	-33 946	**-33 946**
Other comprehensive income/(loss)		-	-	-	13 618	-	**13 618**
Total comprehensive income/(loss)		-	-	-	13 618	-33 946	**-20 328**
Issue of share capital	5.4	118	49 329	-	-	-	**49 447**
Group contribution received		-	-	1 636	-	-	**1 636**
Dividends paid		-	-	-	-	-	**-**
Balance at 31 December 2017		1 350	582 679	1 636	15 743	-349 046	**252 362**

Statements of cash flow

1 January - 31 December

USD 1 000	NOTES	2017	2016
Cash flows from operating activities			
Profit before income taxes		-62 021	-149 270
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation, depletion and amortisation	3.2, 3.3, 3.4	65 341	66 709
Unsuccessful exploration and evaluation expenditures	3.1	7 941	8 217
(Gain)/loss on sale of exploration and evaluation assets	3.1	-	-5 718
Utilisation of abandonment provision	4.2	-16 178	-
Other non-cash income and expenses		-62 398	-10 157
Accretion expenses (abandonment obligation)		10 781	
Finance expense (disclosed in financing activities)		19 770	13 608
Finance income (disclosed in investing activities)		-6 152	-970
Working capital adjustments:			
Change in trade and other receivables	5.9	-33 204	42 172
Change in inventories	2.4	1 686	-2 331
Change in accounts and other payables	5.7	93 318	-10 326
Change in provisions		-12 584	-755
Income tax received/(paid)	6.1	88 540	120 304
Net cash flows from operating activities		94 839	71 483
Cash flows from investing activities			
Expenditures on exploration and evaluation assets	3.1	-27 223	-13 691
Expenditures on oil and gas assets	3.2	-50 832	-4 296
Expenditures on other property, plant and equipment	3.3	-1 524	-24
Expenditures on goodwill and other intangible assets	3.4	-3 792	-
Proceeds on disposal of exploration and evaluation assets	3.1	-	5 748
Investments in subsidiaries	8.7	-495	
Business combination	2.1	-647 540	-
Interest received	5.10	6 152	970
Net cash used in investing activities		-725 254	-11 293
Cash flow from financing activities			
Proceeds from issuance of shares	5.4	49 447	81 269
Proceeds from loans and borrowings	5.5	678 424	324 223
Payments of loan and borrowings	5.5	-79 055	-433 026
Cash acquired in business acquisitions	2.1	-	
Interest paid	5.10	-19 770	-13 608
Net cash used in financing activities		629 046	-41 142
Increase/(decrease) in cash	5.8	-1 369	19 049
Cash and cash equivalents, beginning of period		76 704	57 655
Cash and cash equivalents, end of period	5.8	75 335	76 704

Section 1 Background information

1.1. Corporate information

The financial statements of Point Resources AS ("the Company" or "Point Resources") for the year ended 31 December 2017 were authorised for issue in accordance with a Board resolution on 27 April 2018. Point Resources AS is a limited liability company incorporated and domiciled in Norway and the Company's shares are privately held. The Company's head office is located at Grenseveien 6, 4313 Sandnes, Norway.

Point Resources is a mid-sized, independent exploration and production (E&P) company with a diverse portfolio of production, development and exploration assets on the Norwegian Continental Shelf (NCS).

On 1 November 2017, Point Resources AS acquired ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS. The acquisition included a transfer of the majority of ExxonMobil's offshore and onshore E&P staff in Norway; a significant package of operated producing assets on the Norwegian Continental Shelf; field assets such as platforms and Floating Production Storage and Offloading vessels (FPSOs); as well as the Company's office building in Sandnes. More detailed information is included in note 2.1.

1.2. Basis for preparation

The Company's financial statements consist of statements of comprehensive income, statements of financial position, statements of cash flows, statements of changes in equity, and related notes. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by The European Union (EU).

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. Further, the financial statements are prepared based on the going concern assumption.

The financial statements are presented in USD and all values are rounded to the nearest thousand (000), except when otherwise indicated. The parent company's functional currency is NOK. The Company has chosen to present its financial statements in USD, as this is a commonly used presentation currency among oil and gas companies.

Transactions in foreign currencies are initially recorded at the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. For presentation purposes, balance sheet items are translated from functional currency to presentation currency by using spot rates of exchange at the reporting date. Items within total comprehensive income are translated from functional currency to presentation currency by use of average exchange rates for each month.

1.3. General accounting principles

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affecting future periods. The Company bases its assumptions and estimates on parameters available when the financial statements are prepared.

Existing circumstances and assumptions about future developments may change due to market changes or circumstances that are beyond the control of the Company. Such changes are reflected in the assumptions as they occur.

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below and are also discussed in the individual notes of the related financial statement line items.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS	NOTE	AMOUNT USD 1 000
Goodwill	3.4	558 567
Oil and gas properties	3.2	1 374 447
Deferred tax liability	6.1	232 154
Exploration prospect	3.1	196 905
Long-term abandonment provision	4.2	965 230
Short-term abandonment provision	4.2	97 744

Current versus non-current classification

The Company presents assets and liabilities in the statements of financial position based on current/non-current classification.

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected realised within twelve months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. Borrowing costs are only capitalized during the development phase.
Qualifying assets are generally those that are subject to major development or construction projects. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.4. Changes in accounting policies and disclosures

Refer to Note 1.4 in the Consolidated Financial Statements disclosing information to the Company's changes in accounting policies and disclosures.

1.5. Standards and amendments issued but not yet effective

Refer to Note 1.5 in the Consolidated Financial Statements disclosing information of standards and amendments issued but not yet effective.

Section 2 Operating performance

2.1. Business combinations

Accounting policy - Business combinations

A business combination is as a transaction or other event in which an acquirer obtains control of one or more businesses. A business consists of inputs and processes applied to those inputs that have the ability to create outputs. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as consideration transferred representing acquisition date fair value. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

Goodwill is initially measured at cost (being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed).

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Acquisition of ExxonMobil's operated upstream business in Norway

On 1 November, 2017, the Company acquired ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS. The acquisition included a transfer of the majority of ExxonMobil's offshore and onshore E&P staff in Norway; a significant package of operated producing assets (Balder, Ringhorne, Ringhorne Øst and Jotun) on the Norwegian Continental Shelf; field assets such as platforms and Floating Production Storage and Offloading vessels (FPSOs); as well as the Company's office building in Sandnes.

The business was acquired by and combined with Point Resources AS to create a strong, new mid-sized Norwegian E&P company. With an asset portfolio that includes several fields in the development phase, the combined Company has the potential to grow its production base organically to over 90 000 boepd by 2022, and has proven and probable reserves and contingent resources of about 369 million barrels of oil equivalent at year end 2017.

As part of the transaction the Company acquired 100 percent of the shares in in Standard Marine Nordsjø AS and in ExxonMobil Property Norway (2) AS. In addition, the Company acquired the remaining 5 percent of the interest in PR Jotun DA.

Standard Marine Nordsjø AS later changed name to Point Resources FPSO AS. Shares in Point Resources FSPO AS and PR Jotun DA were incorporated in the new company Point Resources FPSO Holding AS.

The shares in ExxonMobil Property Norway (2) AS (later changed name to Grenseveien 6 AS) were sold to ABP Holdco AS immediately after the acquisition and the Company entered a lease agreement with the new owner. For more information on the transaction see note 4.3 and 4.4.

The transaction with ExxonMobil Exploration and Production Norway AS is recorded as a Business Combination in accordance with IFRS 3. The acquisition date for accounting purposes corresponds to the finalisation date of the transaction on 1 November 2017. For tax and economic purposes, the effective date was 1 January 2017.

USD 1 000

Purchase consideration	
Cash consideration	647 540
Deferred payment [1]	141 365
Contingent consideration (oil price dependent) [1]	22 876
Contingent Forseti consideration [1]	33 718
Payment for acquired assets and liabilities	845 500

1) See note 2.1 in the Consolidated financial statements for description of deferred payments and contingent considerations

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of ExxonMobil's operated upstream business in Norway as at the date of acquisition were:

USD 1 000	
ASSETS	
Non-current assets	
Defered tax asset	12 482
Oil and gas properties	1 056 340
Exploration prospects	54 000
Other intangible assets	34 890
Other non-current assets	250 602
Total non-current assets	1 408 315
Current assets	
Inventories	52 433
Other current assets	290
Total current assets	52 723
Total assets	1 461 037
Non-current liabilities	
Provision for abandonment	911 331
Total non-current liabilities	911 331
Current liabilities	
Taxes payable	153 424
Provision for abandonment	88 436
Provisions	8 631
Total current liabilities	250 491
Total liabilities	1 161 822
Total identifiable net assets at fair value	299 215
Consideration paid on acquisition	845 500
Goodwill arising on acquisition	546 285
Goodwill as a result of deferred tax - technical goodwill	465 665
Goodwill related to synergies - residual goodwill	80 620
Net goodwill from acquisition	546 285

According to § 10 in the Norwegian Petroleum Tax Act transaction shall be done after tax and the buyer is therefore not entitled to claim tax deduction for the part of consideration that exceeds the tax position acquired from the seller. Provision for deferred tax is made for the difference between acquisition cost and acquired tax base in accordance with IAS 12. Offsetting entry of this non-cash deferred tax is technical goodwill.

The remaining goodwill of USD 80.6 million comprises the value of expected synergies arising from the acquisition and assembled workforce, which is not separately recognised. Goodwill is allocated entirely to operations on the the Norwegian Continental Shelf (NCS).

None of the goodwill recognised is expected to be deductible for income tax purposes.

The valuation is based on currently available information about fair values as of the acquisition date. If new information becomes available within 12 months from the acquisition date, the Company may change the fair value assessment in the Purchase price allocation, in accordance with guidance in IFRS 3. Any adjustments will result in a corresponding adjustment of goodwill.

NET CASH FLOW FROM ACQUISITION

Net cash acquired	-
Cash paid	647 540
Net cash flow on acquisition	-647 540

From the date of acquisition, ExxonMobil's operated upstream business in Norway has contributed USD 131 million of revenue and USD 49 million to the net profit before tax. If the acquisition had taken place at the beginning of the year, revenue would have been USD 812 million and the profit before tax for the period would have been USD 109 million.

Pro-forma figures

The Board of Directors consider these pro-forma numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in the future periods.

In determining the pro-forma revenue and profit for the Group if the business combination had taken place at 1 January 2017, the Group has:

- Calculated depreciation of plant and equipment acquired (including surplus values on the basis of the fair values arising in the business combination completed at 1 November 2017).
- Calculated borrowing costs on the funding levels and unwinding of interest on abandonment provisions for the Group after the business combination for the whole year.
- Calculated interest income from the mandatory deposit as per the SPA
- Calculated expected reduction in General and Administration expenses (G&A) related to expected synergies after the business combination.

Pro-forma 2017 financial figures

USD 1 000

1 JANUARY - 31 DECEMBER	2017
Petroleum revenues	812 261
Production cost	-206 586
Other income and expenses including results from hedging activities	-40 136
General and administrative expenses	-13 401
EBITDAX	552 138
Exploration expenses	-56 488
Depreciation, depletion, amortisation and impairment	-274 327
Operating profit/(loss) (EBIT)	221 322
Finance income	16 271
Finance costs	-91 468
Profit/(loss) before net profit interest and income taxes	146 126
Net profit interest	-36 949
Profit/(loss) before income taxes	109 177
Income tax expenses	-110 978
Profit/(loss) for the year	-1 801

2.2. Segment information

Refer to Note 2.2 in the Consolidated Financial Statements disclosing segment information for the Company.

2.3. Revenues and other income

Refer to Note 2.3 in the Consolidated Financial Statements disclosing information to the Company's revenues and other income.

2.4. Production cost/inventory

Accounting policy - Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production and transportation. Net realisable value is determined by reference to prices existing at the balance sheet date less selling costs. Net realisable value is adjusted where the sale of inventories after the reporting period gives evidence about their net realisable value at the end of the period.

USD 1 000	31.12.2017	31.12.2016
Direct production cost (excluding DD&A)	38 480	15 540
Tariffs and transportation cost	3 115	5 421
Direct production taxes	2 691	160
Allocated General and Administration expenses	7 833	12 618
Total production cost (excluding DD&A)	52 119	33 739

USD 1 000	31.12.2017	31.12.2016
Spare parts and consumables	31 261	9 085
Drilling equipment	28 571	-
Total inventories	59 832	9 085

2.5. General and administrative expenses

USD 1 000	NOTE	31.12.2017	31.12.2016
Salaries and social expenses	7.1, 7.2	25 569	22 719
Lease expenses	4.3	2 672	1 815
Consulting, legal and audit fees		12 553	8 171
IT expenses		8 311	2 680
Other general and administrative expenses		1 773	1 317
Total general and administrative expenses before reclassification		50 878	36 702
G&A expenses reclassified to exploration	2.6	-17 417	-29 855
G&A expenses reclassified to development		-1 381	-
G&A expenses reclassified to production cost	2.4	-18 717	-4 298
Total general and administrative expenses		13 364	2 549

Acquisition-related costs of USD 2.5 million related the acquisition of ExxonMobil's operated upstream business in Norway is included in Consulting, legal and audit fees in 2017.

USD 1 000	31.12.2017	31.12.2016
Audit fee	130	210
Tax advisory services	-	-
Attestation services	-	-
Other advisory services	286	62
Total auditor's fees	416	273

Auditor fees are presented net of VAT.

2.6. Exploration expenses

Refer to Note 2.6 in the Consolidated Financial Statements disclosing information to the Company's exploration expenses.

Section 3 Asset base

3.1. Exploration and evaluation assets

Refer to Note 3.1 in the Consolidated Financial Statements disclosing information of the Company's exploration and evaluation assets.

3.2. Oil and gas properties

Accounting policy - Oil and gas properties

(i) Initial recognition

Oil and gas properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/ development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

(ii) Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed, proved undeveloped and probable reserves expected to be recovered of the relevant fields. The depletion rate takes into account expenditures incurred to date, together with estimated future capital expenditures.

The estimated reserves, asset's residual values and methods of depreciation/amortisation are reviewed annually and adjusted prospectively, if appropriate.

(iii) Major maintenance, inspection and repairs

Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

	NOTE	OIL AND GAS PROPERTIES	TOTAL
Cost as at 1 January 2016		477 371	**477 371**
Additions		4 296	**4 296**
Transferred from exploration and evaluation assets		36	**36**
Change in decommissioning provision	4.2	-3 694	**-3 694**
Disposals		-	**-**
Depletions		-	**-**
Currency translation effects		10 441	**10 441**
Cost as at 31 December 2016		488 449	**488 449**
Additions		50 832	**50 832**
Additions through business combinations	2.1	1 056 340	**1 056 340**
Transferred from exploration and evaluation assets	3.1	120 462	**120 462**
Change in decommissioning provision	4.2	-20 698	**-20 698**
Disposals		-	**-**
Depletions		-	**-**
Currency translation effects		21 635	**21 635**
Cost as at 31 December 2017		1 717 020	**1 717 020**
Depletion and impairment as at 1 January 2016		-201 319	**-201 319**
Depreciation		-61 280	**-61 280**
Provision for impairment		-	**-**
Disposals		-	**-**
Depletions		-	**-**
Currency translation effects		-2 994	**-2 994**
Depletion and impairment as at 31 December 2016		-265 593	**-265 593**
Depreciation		-63 057	**-63 057**
Provision for impairment		-	**-**
Disposals		-	**-**
Depletions		-	**-**
Currency translation effects		-13 923	**-13 923**
Depletion and impairment as at 31 December 2017		-342 573	**-342 573**
Net book value as at 31 December 2016		222 856	**222 856**
Net book value as at 31 December 2017		1 374 447	**1 374 447**

Accounting policy - Impairment losses (non financial assets excluding goodwill)

The Company assesses at each reporting date whether there is an indication that an asset or Cash Generating Unit (CGU) may be impaired. Management has assessed its CGU's as being an individual field, which is the lowest level for which cash inflows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating VIU, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. The Company bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statements of comprehensive income.

For assets/CGUs excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the last

impairment loss was recognised. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in the statement of comprehensive income.

Estimates and assumptions
Refer to Note 3.2 in the Consolidated Financial Statements disclosing information to the Company's estimates and assumptions.

Impairments
The Company has not recognised any impairments of oil and gas properties in 2017 or 2016.

Value in use is calculated by discounting future cash flows after tax. Key assumptions used in the impairment tests as at 31 December 2017 is described in note 3.2 in the Consolidated Financial Statements.

3.3. Other Property, plant and equipment

Accounting policy - Other property, plant and equipment
(i) Initial recognition
Equivalent to oil and gas properties, see note 3.2.

The carrying value of property, plant and machinery held under finance leases at 31 December 2017 was USD 23.9 million. Additions during the year include USD 24.2 million of property under finance leases. For more information on the lease see note 4.3 and 4.4.

(ii) Depreciation/amortisation
Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives. Property, plant and equipment held under finance leases are depreciated over the shorter of lease term and estimated useful life.

Asset's residual values, useful lives and methods of depreciation/amortisation are reviewed annually and adjusted prospectively, if appropriate.

(iii) Major maintenance, inspection and repairs
Equivalent to oil and gas properties, see note 3.2.

Impairment losses (non-financial assets)
Equivalent to oil and gas properties, see note 3.2.

Estimates and assumptions
Equivalent to oil and gas properties, see note 3.2.

Impairments
There has been no indication that an asset may be impaired or indication that previously recognised impairment losses may no longer exist related to other property, plant and equipment.

	NOTE	BUILDINGS	OFFICE EQUIPMENT	TOTAL
Cost as at 1 January 2016		-	4 761	4 761
Additions		-	24	24
Disposals		-	-	-
Depletions		-	-1 331	-1 331
Currency translation effects		-	163	163
Cost as at 31 December 2016		-	3 617	3 617
Additions	4.3	24 232	1 524	25 756
Disposals		-	-	-
Depletions		-	-	-
Currency translation effects		-170	151	-18
Cost as at 31 December 2017		24 063	5 292	29 355
Depletion and impairment as at 1 January 2016		-	-3 422	-3 422
Depreciation		-	-849	-849
Provision for impairment		-	-	-
Disposals		-	-	-
Depletions		-	1 331	1 331
Currency translation effects		-	-114	-114
Depletion and impairment as at 31 December 2016		-	-3 053	-3 053
Depreciation		-199	-493	-692
Provision for impairment		-	-	-
Disposals		-	-	-
Depletions		-	-	-
Currency translation effects		-1	-158	-159
Depletion and impairment as at 31 December 2017		-201	-3 704	-3 904
Net book value as at 31 December 2016		-	563	563
Net book value as at 31 December 2017		23 862	1 588	25 450

Useful lives
The useful lives of the assets are estimated as follows:

Buildings	20 years
Office equipment	3 to 5 years

3.4. Goodwill and other intangible assets

Accounting policy - Other intangible assets and goodwill

Goodwill
Goodwill arises principally because of the following factors:

- The ability to capture unique synergies that can be realised from managing a portfolio of both acquired and existing fields
- The requirement to recognise deferred tax assets and liabilities for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value (more information in note 2.1)

Other intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (generally depreciated on a straight-line basis over their estimated useful lives) and accumulated impairment losses, if any. Indefinite lived intangibles are not amortised, instead they are tested for impairment at least annually. Internally generated intangible assets, excluding capitalised development costs and E&E assets, are not capitalised. Instead, the

related expenditure is recognised in the statement of comprehensive income in the period in which the expenditure is incurred.

In relation to the acquisition of ExxonMobil's operated upstream business in Norway, seismic and other technical data of USD 34.9 million was capitalized as other intangible assets. Seismic data was related to the Balder, Ringhorne and Forseti fields. If the Company's business activity in the area ceases, the seismic is impaired immediately.

There are no intangible assets with indefinite lives in the Company.

Useful lives

The useful lives of the assets are estimated as follows:

Seismic and other technical data 4 years

		GOODWILL	OTHER INTANGIBLE ASSETS	TOTAL
Cost as at 1 January 2016		21 610	9 019	**30 629**
Additions		-	-	**-**
Disposals		-	-	**-**
Currency translation effects		474	198	**672**
Cost as at 31 December 2016		22 084	9 217	**31 301**
Additions		-	3 792	**3 792**
Additions through business combinations	2.1	546 285	34 890	**581 175**
Disposals		-	-	**-**
Currency translation effects		-2 614	-223	**-2 837**
Cost as at 31 December 2017		565 755	47 676	**613 431**
Amortisation and impairment as at 1 January 2016		-5 084	-6 518	**-11 602**
Amortisation charge for the year		-	-	**-**
Impairment charge for the year		-2 007	-2 573	**-4 580**
Currency translation effects		-97	-126	**-223**
Amortisation and impairment as at 31 December 2016		-7 188	-9 217	**-16 405**
Amortisation charge for the year		-	-1 592	**-1 592**
Impairment charge for the year		-	-	**-**
Currency translation effects		-	-10	**-10**
Amortisation and impairment as at 31 December 2017		-7 188	-10 819	**-18 008**
Net book value as at 31 December 2016		14 895	-	**14 895**
Net book value as at 31 December 2017		558 567	36 856	**595 423**

Impairment testing of goodwill

For impairment testing purposes, all acquired goodwill has been allocated to the Company's assets on the NCS.

Accounting policy - Impairment losses goodwill

Goodwill is tested for impairment annually. Impairment is determined for goodwill by assessing the recoverable amount of each Cash Generating Unit (CGU) or group of CGU's to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount of the asset including goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. For more information on accounting policies, estimates and assumptions see note 3.2.

When assessing impairment of technical goodwill, recognised deferred tax related to a business combination (see more information in note 2.1) will reduce net book value before impairment assessment. Going forward depreciation of excess values from the acquisition analysis will lead to a reduction in deferred tax liability, hence more technical goodwill will be exposed for impairment.

Impairment testing ordinary goodwill

Goodwill of USD 95.7 million has been allocated to the Company's operations on the the Norwegian Continental Shelf (NCS). The recoverable amount of the CGU has been determined based on a value in use calculation as described above and outlined in note 3.2. As a result of the analysis, no impairment was required for this CGU.

Impairment testing technical goodwill

Technical goodwill of USD 462 million is related to the Company's acquisition of ExxonMobil's operated upstream business in Norway from ExxonMobil Exploration and Production Norway AS that was completed 1 November 2017 and is allocated to the Company's operations on the the Norwegian Continental Shelf (NCS). The recoverable amount of CGU has been determined based on a value in use calculation as described above and outlined in note 3.2. As a result of the analysis, no impairment was required for this CGU.

Section 4 Special items and provisions

4.1. Provisions for other liabilities

Refer to Note 4.1 in the Consolidated Financial Statements disclosing information to the Company's provisions for other liabilities.

4.2. Decommissioning provision

Refer to Note 4.2 in the Consolidated Financial Statements disclosing information to the Company's decommissioning provision.

4.3. Commitments and contingencies

Refer to Note 4.3 in the Consolidated Financial Statements disclosing information to the Company's commitments and contingencies.

4.4. Deferred revenue

Refer to Note 4.4 in the Consolidated Financial Statements disclosing information to the Company's deferred revenue.

Section 5 Financial instruments, capital structure and equity

5.1. Financial instruments

Accounting policy - Financial instruments

Classification of financial instruments

The Company's financial instruments are classified in the following categories:

- fair value with changes in value through profit or loss (FVPL)
- loans and receivables
- other financial liabilities

Derivatives are classified as FVPL financial instruments as the Company does not apply hedge accounting. Thus, the FVPL instruments are categorised as held for trading from an accounting perspective.

Loans and receivables are non-derivative financial assets with fixed or determinable cash flows that are not quoted in an active market. Other financial liabilities are generally the main category for loans and borrowings.

Initial recognition and subsequent measurement

FVPL: Financial derivatives that are not designated as hedging instruments are categorized as held for trading and initially measured at their fair value. Subsequent changes in the fair value are recognised in income statements. The Company has entered into Brent crude oil put options, the changes in fair value is presented as other income.

Fair value of unlisted shares is estimated by using standard valuation techniques, or measured at cost if the investment does not have a quoted market price in an active market and the fair value cannot be reliably measured.

Loans and receivables and Other financial liabilities are initially recognised at fair value plus directly attributable transaction expenses. Subsequently, these instruments are measured at their amortized cost.

USD 1 000 31.12.2017	NOTE	FINANCIAL ASSETS AT FAIR VALUE: HELD FOR TRADING ACCORDING TO IAS 39	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT FAIR VALUE: HELD FOR TRADING ACCORDING TO IAS 39	OTHER FINANCIAL LIABILITIES	TOTAL
Assets						
Derivatives	2.3, 5.11	7 335	-	-	-	**7 335**
Investment in shares	8.3	2 008	-	-	-	**2 008**
Shares in subsidiaries	8.7	495				
Trade receivables	5.9	-	80 771	-	-	**80 771**
Other receivables	5.9, 4.2, 8.3	-	306 170	-	-	**306 170**
Cash and cash equivalents	5.8	75 335	-	-	-	**75 335**
Total financial assets		85 173	386 941	-	-	**471 619**
Liabilities						
Non current interest-bearing loans and borrowings	5.5, 5.11	-	-	-	917 908	**917 908**
Current interest-bearing loans and borrowings		-	-	-	-	**-**
Accounts and other payables	5.5, 5.7	-	-	-	79 010	**79 010**
Derivatives	2.3, 5.11	-	-	32 477	-	**32 477**
Total financial liabilities		-	-	32 477	996 919	**1 029 396**

The Company did not reclassify any financial instruments during 2017.

Impairment of financial assets

Financial assets valued at amortized cost are impaired when objective evidence exists that the instrument's cash flows have been negatively affected by one or more events occurring after the initial recognition of the instrument. The impairment loss is recognised in income statements. The loss is measured as the difference between the asset`s carrying value and the present value of estimated future cash flows discounted with the instruments original effective interest rate. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced.

De-recognition of financial instruments

A financial asset is de-recognised when the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires.

USD 1 000 31.12.2016	NOTE	FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING ACCORDING TO IAS 39	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT FAIR VALUE HELD FOR TRADING ACCORDING TO IAS 39	OTHER FINANCIAL LIABILITIES	TOTAL
Assets						
Derivatives	2.3, 5.11	4 180	-	-	-	**4 180**
Trade receivables	5.9	-	8 766	-	-	**8 766**
Other receivables	5.9	-	99 243	-	-	**99 243**
Cash and cash equivalents	5.8	76 704	-	-	-	**76 704**
Total financial assets		80 884	108 008	-	-	**188 893**
Liabilities						
Non current interest-bearing loans and borrowings	5.5, 5.11	-	-	-	98 120	**98 120**
Current interest-bearing loans and borrowings	5.5, 5.11	-	-	-	79 055	**79 055**
Accounts and other payables	5.5, 5.7	-	-	-	39 958	**39 958**
Total financial liabilities		-	-	-	217 132	**217 132**

The Company did not reclassify any financial instruments during 2016.

5.2. Financial risk management

Overview

The Company is exposed to a range of risks affecting its financial performance, including market risk (commodity risk, currency risk, interest rate risk), liquidity risk and credit risk. The Company seeks to minimize potential adverse effects of such risks through sound business practices, risk management and use of derivative financial instruments.

Risk management is carried out by senior management under policies approved by the Board. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

Commodity price risk and sensitivity

Refer to Note 5.2 in the Consolidated Financial Statements disclosing information to the Company's market risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's reserve based lending facility with floating interest rate in addition to interest income on receivables against subsidiaries. Currently, the Company does not have any interest hedging instruments nor any fixed rate loan agreements.

Interest rate sensitivity

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, on the Company's profit before tax:

	INCREASE/ DECREASE IN BASIS POINTS	EFFECT ON PROFIT BEFORE TAX (USD 1 000)	EFFECT ON EQUITY (USD 1 000)
31 December 2016	+/- 100	+/- 2 706	+/- 1 597
31 December 2017	+/- 100	+/- 5 475	+/- 2 956

Foreign currency risk and sensitivity

Refer to Note 5.2 in the Consolidated Financial Statements disclosing information to the Company's market risk.

(b) Liquidity risk

Liquidity risk is the risk that Point Resources will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company monitors its risk to a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of reserve based lending structures, parent company loan facility, bonds etc. As at 31 December 2017, Point Resources had available USD 159 million (2016: USD 0 million) of undrawn committed borrowing facilities.

See note 5.5 for an overview of maturity profile on Point Resources' financial liabilities and accessible borrowing facility from Point Resources Holding AS.

(c) Credit risk

The external credit risk is described in note 5.2 in the consolidated financial statement. In addition the parent company has credit risk related to receivables against subsidiaries. The credit risk is deemed low.

Management is of the opinion that Point Resources does not have significant credit risk.

5.3. Capital management

Refer to Note 5.3 in the Consolidated Financial Statements disclosing information to the Company's capital management.

5.4. Share capital

The Company's shareholder Point Resources Holding AS has a shareholder agreement with its owners Core Energy Holding AS, Spike Exploration AS and Pure E&P AS which sets guidelines for the Company's management, business operations, funding and investor relations.

The capital increase in 2017 was an increase of the nominal value per share.

The ultimate parent

The Company is owned by Point Resources Holding AS which is indirectly owned by private equity funds managed by HitecVision.

AMOUNT IN USD	NUMBER OF SHARES	NOMINAL AMOUNT ORDINARY SHARES	TOTAL SHARE CAPITAL
At 1 January 2016	10 000	147 208	**147 208**
Treasury shares purchases/sold	-	-	-
Split of shares	1 090 000	-	-
Capital increase, conversion of debt	219 596	26 658	**26 658**
Capital increase, merger	7 652 784	929 007	**929 007**
Capital increase, conversion of debt	1 062 930	129 034	**129 034**
At 31 December 2016	10 035 310	1 231 906	**1 231 906**
At 1 January 2017	10 035 310	1 231 906	**1 231 906**
Capital increase, increase of the nominal value	-	118 126	**118 126**
At 31 December 2017	10 035 310	1 350 033	**1 350 033**

The nominal value of the shares is valued in NOK.
Each share has a nominal value of NOK 1.00.

The Company's shareholders at 31.12.2017

	SHARES	OWNERSHIP INTEREST
Point Resources Holding AS	10 035 310	100 %
Total number of shares excluding treasury shares	10 035 310	100 %
Treasury shares at 31.12.17	0	0 %
Total number of shares including treasury shares	10 035 310	100 %

No ordinary or extraordinary dividend was distributed in 2017.

Reconciliation of equity is shown in the statement of changes in equity.

5.5. Financial liabilities and borrowings

The accounting policy concerning loans and borrowings is described in note 5.1.

USD 1 000	31.12.2017	31.12.2016
Utilised amount credit facilities	**542 000**	180 162
Unused amount credit facilities	**-**	-

The RBL credit facility has an undrawn amount of USD 158 million provided that the borrowing base as set out in the agreement is available. In addition, the Company has additional USD 159 million in accessible borrowing facility from Point Resources Holding AS if certain conditions are met.

Commitments related to loans and borrowings

USD 1 000	31.12.2017	31.12.2016
Interest-bearing loans and borrowings	917 908	177 174
Trade and other payables	245 471	51 958
Less cash and short-term receivables	-312 672	-184 713
Net debt	850 708	44 419
Equity	252 362	221 608
Total capital	2 724 172	670 471
Capital and net debt	1 103 069	266 027
Gearing ratio	78 %	44 %
Equity ratio	9 %	33 %

In relation to reserve based lending facility, Point Resources is obliged to submit a liquidity test every three months to ensure liquidity levels comply with what is outlined in the RBL agreement (The Company and the ultimate parent company (Point Resources Holding AS) shall have a net remaining cash or cash equivalents balance greater than zero). In addition there is a covenant related to a max ratio of the Company's Net Debt divided by the Company's EBITDAX.

No breach of covenants were recorded in 2017.

Financial liabilities and borrowings

USD 1 000 31.12.2017	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
Interest-bearing loans and borrowings	-	-	141 183	776 725	917 908
Other liabilities	60 086	7 166	58 893	40 316	166 460
Trade and other payables	79 010	-	-	-	79 010
Totals	139 096	7 166	200 076	817 041	1 163 379

USD 1 000 31.12.2016	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 3 YEARS	OVER 3 YEARS	TOTAL
Interest-bearing loans and borrowings	-	79 055	-	98 120	177 175
Other liabilities	-	-	12 000	-	12 000
Trade and other payables	38 312	1 645	-	-	39 957
Totals	38 312	80 700	12 000	98 120	229 132

Interest-bearing loans and borrowings

USD 1 000	INTEREST RATE	MATURITY	31.12.2017	31.12.2016
RBL credit facility	4.38 %	2024	528 682	98 120
Deferred payment ExxonMobil	1.8 %	2020	141 184	
Loans from related companies	4.38 %	2024	248 043	
Total non-current interest-bearing loans and borrowings			917 908	98 120

Current interest-bearing loans and liabilites

USD 1 000	INTEREST RATE	MATURITY	31.12.2017	31.12.2016
Exploration Finance Facilities	2.6 %	2017	-	79 055
Total current interest-bearing loans and borrowings			-	79 055

Carrying amount of assets provided as security for the borrowing base facility:

USD 1 000	31.12.2017	31.12.2016
Producing assets	363 815	221 171
Inventories	59 832	9 085
Trade and other receivables	237 337	108 008
Cash and short-term deposits	75 335	76 704
Totals	736 319	414 968

Security related to the Company's reserve based lending facility include specified carrying value of assets, assignment of right under insurance proceeds, assignment of hedging agreements, intra-group claims with Point Resources Holding AS, as well as share pledge in Point Resources AS.

Security related to the Group's revolving exploration financing facility is pledged in the tax receivables from the refund according to the Norwegian Petroleum Act.

5.6. Changes in liabilities arising from financing activities

USD 1 000	1 JANUARY 2017	CASH FLOWS	OBTAINING CONTROL OF SUBSIDIARIES OR OTHER BUSINESSES	FOREIGN EXCHANGE MOVEMENT	CHANGES IN FAIR VALUES	NEW LEASES	OTHER	31 DECEMBER 2017
Current interest-bearing loans and borrowings (excluding items listed below)	79 055	-79 055	-	-	-	-	-	0
Current obligations under finance leases and hire purchase contracts	-	-0	-	-16	-	2 278	-	2 262
Non-current interest-bearing loans and borrowings (excluding items listed below)	98 120	678 424	-	11 620	-	-	129 745	917 909
Non-current obligations under finance leases and hire purchase contracts	-	-	-	-154	-	21 954	-	21 801
Dividends payable	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
Total liabilities from financing activities	177 175	599 369	-	11 450	-	24 232	129 745	941 972

The 'Other' column includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings and amortized borrowing costs and deferred payments related to the business combination.

5.7. Accounts and other payables

Accounting policy - Accounts and other payables
For policies on trade payables refer to note 5.1

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30-day terms
- Other payables are non-interest bearing and have an average term of six months
- Payables and accruals to a joint operations partner mainly represent joint expenses that were paid by the joint operations partner, which are non-interest bearing and are normally settled on a 30-day terms

USD 1 000	31.12.2017	31.12.2016
Trade creditors	21 048	10 182
Prepayments from customers	-	69
Withholding payroll taxes and social security	3 946	1 831
Holiday pay	4 408	1 442
Overlift oil	-	3 599
Working capital, trade creditors, joint operations	4 166	1 112
Working capital, accruals, joint operations	-	5 068
VAT payable	-	1 262
Government taxes, tax deductions etc.	3 726	-
Accrued expenses	41 717	15 392
Total Accounts and other payables	79 010	39 957

5.8. Cash and cash equivalents

Accounting policy - Cash and short-term deposits
Cash and short-term deposits comprises cash at banks and short-term deposits with a maturity of three months or less. Cash and short-term deposits exclude restricted cash, which is not available for use by the Company and therefore is not considered highly liquid.

For more information on the Company's credit facilities see note 5.5.

USD 1 000	31.12.2017	31.12.2016
Bank deposits, unrestricted	71 506	75 569
Bank deposit, restricted, employee taxes	3 829	970
Bank deposits, restricted, office rental deposit	-	165
Bank deposits, restricted, other	-	-
Total bank deposits	75 335	76 704

5.9. Trade and other receivables

Accounting policy - Trade and other receivables

For policies on trade receivables refer to note 5.1

Trade receivables are non-interest bearing and are generally on 30-day terms.

In determining the recoverability of a trade or other receivable, the Company performs a risk analysis considering the type and age of the outstanding receivable and the creditworthiness of the counterparties.

USD 1 000	NOTE	31.12.2017	31.12.2016
Trade receivables		80 771	7 899
Accrued revenues		1 210	866
Refund payable taxes	6.1	-	84 374
Underlift oil		8 790	1 056
Underlift NGL		-	1 054
Working capital, receivables, joint operations		-24	754
Working capital, prepayments, joint operations		584	1
Over call, joint operations		26 003	9 561
Prepayments		5 980	2 442
Other receivables		114 022	-
Total trade and other receivables		237 336	108 008

Other receivables primarily consist of receivables related to abandonment costs for Jotun, for more information see note 4.2.

TRADE RECEIVABLES	TOTAL	NOT DUE	DUE
31.12.2017	80 771	79 408	1 363
31.12.2016	7 899	7 899	-

The Company has no impaired trade receivables in 2016 or 2017.

5.10. Financial income and financial expenses

Accounting policy - Financial income and expenses
For accounting principles related to underlying financial instruments, reference is made to note 5.1

USD 1 000	31.12.2017	31.12.2016
Interest income on bank accounts and receivables	2 680	970
Interest income on tax receivable	-	-
Net exchange rate gain	3 472	6 747
Other financial income	-	100
Financial income	6 152	7 817
Interest expense on financial liabilities measured at amortised cost	-12 288	-14 025
Accretion expenses (asset retirement obligation)	-10 781	-4 063
Interest expense on financial liabilities to related companies measured at amortised cost	-	-
Net exchange rate loss	-2 684	-
Impairment of financial assets	-	-5 857
Other financial expenses	-4 799	-6 709
Financial expenses	-30 552	-30 654
Net financial items	-24 400	-22 837

5.11. Fair Value measurement

Accounting policies - Fair value measurement
All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into classes and categories. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value.

Fair value hierarchy
The Company measures fair value using the fair value hierarchy as described below, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted (unadjusted) market prices in an active market for identical assets or liabilities.

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

CARRYING AMOUNT

ASSETS MEASURED/DISCLOSED AT FAIR VALUE	DATE OF VALUATION	31.12.2016	LEVEL 1	LEVEL 2	LEVEL 3
Derivative financial assets	31.12.2016	4 180		x	

ASSETS MEASURED/DISCLOSED AT FAIR VALUE	DATE OF VALUATION	31.12.2017	LEVEL 1	LEVEL 2	LEVEL 3
Derivative financial assets	31.12.2017	7 335		x	

CARRYING AMOUNT

LIABILITIES MEASURED/DISCLOSED AT FAIR VALUE	DATE OF VALUATION	31.12.2016	LEVEL 1	LEVEL 2	LEVEL 3
Interest-bearing loans and borrowings	31.12.2016	177 174			x

LIABILITIES MEASURED/DISCLOSED AT FAIR VALUE	DATE OF VALUATION	31.12.2017	LEVEL 1	LEVEL 2	LEVEL 3
Interest-bearing loans and borrowings	31.12.2017	917 908			x
Derivative financial liabilities		32 477		x	

The table above discloses information about all assets and liabilities that are measured at fair value.

There were no transfers between the levels during 2017 or 2016.

Fair value of financial instruments

Below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments.

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Commodity put options are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include observable inputs and use of present value calculations (hierarchy level 2). The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, oil price spot and forward rates and interest rate curves and forward rate curves of the underlying commodity (oil). All derivative contracts are fully cash collateralised, thereby eliminating both counterparty risk and the Company's own non-performance risk. As at 31 December 2017, the marked-to-market value of derivative asset positions is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on measurement of financial instruments recognised at fair value. The fair value calculations are made by the Company's respective bank relations.

The fair values of the Company's interest-bearing borrowings and loans are determined by using the DCF-method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. Point Resources' own non-performance risk as at 31 December 2017 was assessed to be insignificant.

	31.12.2017		31.12.2016	
USD 1 000	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets				
Trade and other receivables	**386 941**	**386 941**	108 008	108 008
Derivative financial assets	**7 335**	**7 335**	4 180	4 180
Cash and short-term deposits	**75 335**	**75 335**	76 704	76 704
Financial liabilities				
Interest-bearing loans and borrowings	**917 908**	**917 908**	177 174	177 174
Accounts payable and accrud liabilities	**79 010**	**79 010**	39 958	39 958

Section 6 Tax

6.1. Tax

Accounting policy - Tax

Income tax in the statement of income comprises of current and deferred tax expense. Income tax is recognised in the statement of income except when it relates to items recognised in OCI. Current tax consists of the expected tax payable on the taxable income for the year and any adjustment to tax payable for previous years.

Uncertain tax positions and potential tax exposures are analysed individually. The best estimate of the probable amount for liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and for assets to be received (disputed tax positions for which payment has already been made) in each case is recognised within current tax or deferred tax as appropriate.

A tax-free allowance (uplift) of 5.5 percent per year is granted on the basis of capitalised cost on offshore production installations on NCS. The uplift is deductible from taxable income over a period of four years from the year the cost incurred. Uplift benefit on the NCS is recognised when the deduction is included in the current year tax return and impacts taxes payable. Unused uplift may be carried forward indefinitely.

Production installations can be depreciated linearly over six years. Depreciation can start as expenses are incurred. Any remaining cost may be deducted in the final year at the end of production.

Interest income and interest expenses relating to tax issues are estimated and recognised in the period in which they are earned or incurred, and are presented within Net financial items in the statement of income.

USD 1 000	2017	2016
Current income tax expense	-13 762	86 608
Prior period adjustment	-314	-382
Current income tax expense	-14 076	86 225
Origination and reversal of temporary differences	42 270	15 879
Change in tax regulations		405
Prior period adjustments	-118	2 307
Deferred tax expense	42 152	18 591
Income tax expense	28 075	104 817

Reconciliation of nominal statutory tax rate to effective tax rate:

USD 1 000	2017	2016
Income before tax	-62 021	-149 270
Calculated income tax at statutory rate	14 885	37 318
Calculated Norwegian Petroleum tax	33 491	79 113
Tax effect uplift	27 512	7 229
Tax effect of permanent differences	-11 052	-13 833
Tax effect of finance income/expense	-35 061	-8 792
Change in unrecognised deferred tax assets	-1 472	1 453
Change in tax regulations	217	405
Prior period adjustments	-445	1 925
Other items including currency effects	-	-1
Income tax expense	28 075	104 817
Effective tax rate	45 %	70 %

USD 1 000	2017	2016
Taxes payable / Refund payable tax	-13 303	84 374
Current income tax expense in respect of current year	-13 762	86 608
Currency effects	459	-2 234
Total taxes payable / Refund payable tax	-13 303	84 374

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised.

Companies operating on the NCS under the offshore tax regime can claim the tax value of any unused tax losses or other tax credits related to its offshore activities to be paid in cash (including interest) from the tax authorities when operations cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore normally recognised in full.

Deferred tax assets and liabilities are offset to the extent that the deferred taxes relate to the same fiscal authority, and there is a legally enforceable right to offset current tax assets against current tax liabilities. After netting deferred tax assets and liabilities by fiscal entity, deferred taxes are presented on the balance sheet as follows:

Deferred tax assets are recognised based on the expectation that sufficient taxable income will be available through reversal of taxable temporary differences or future taxable income.

Deferred tax assets and liabilities

USD 1 000	TAX LOSSES CARRIED FORWARD	PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	ASSET REMOVAL OBLIGATION AND OTHER OBLIGATIONS	UPLIFT	DERIVA-TIVES	OTHER	TOTAL
Deferred tax at 31.12.2017							
Deferred tax assets	2 476	-	664 627	-	-	-	667 103
Deferred tax liabilities	-	-837 698	-	-	5 529	-65 007	-897 176
Total asset (liabilities) at 31.12.2017	2 476	-837 698	664 627	-	5 529	-65 007	-230 073
Deferred tax assets allowance	-2 081						-2 081
Net asset (liabilities) at 31.12.2017	395	-837 698	664 627	-	5 529	-65 007	-232 154
Deferred tax at 31.12.2016							
Deferred tax assets	20 091	-	71 351	33 314	-	-	124 756
Deferred tax liabilities	-	-250 411	-	-	-501	-685	-251 597
Total asset (liabilities) at 31.12.2016	20 091	-250 411	71 351	33 314	-501	-685	-126 841
Deferred tax assets allowance	-966						-966
Net asset (liabilities) at 31.12.2016	19 125	-250 411	71 351	33 314	-501	-685	-127 807

USD 1 000	2017	2016
Changes in net deferred tax liability during the year were as follows:		
Net deferred tax liability at 1 January	127 807	142 963
Charged (credited) to the statement of income	-42 152	-18 591
Against equity (Point Resources AS)	139 809	-
Translation differences and other	6 689	3 435
Net deferred tax liability at 31 December	232 154	127 807

Section 7 Staff costs and remuneration

7.1. Staff costs and remuneration

Refer to Note 7.1 in the Consolidated Financial Statements disclosing information to the Company's staff costs and remuneration.

7.2. Management remuneration

The Chief Excecutive Officer (CEO) is part of the Company's ordinary bonus scheme and aslo have the right to severance payment if the Company terminates the employment. The CEO is entitled to a severance payment consisting of an agreed one-time payment plus ordinary salary for the remaining of his three year terms. The management takes part in the general pension scheme described in the pension note.

No loans have been granted and no guarantees have been issued to CEO or any member of the Board of Directors.

The chairman of the board, Jan Harald Solstad, stepped in as acting CEO in November 2016 while employed in HitecVision. No compensation was paid from the Company in 2016.

In 2017 the Company paid USD 446 thousand as compensation to HitecVision from 1 January - 31 October.

As part of the transaction with ExxonMobil in 2017 Morten Mauritzen was appointed as new CEO in November 2017.

Compensation to Chief Excecutive Officer (CEO)

2017

USD 1 000	SALARY	BONUS	PENSION COST	OTHER COMPENSATION	TOTAL REMUNERATION
Morten Mauritzen (1 November -)	105	-	3	3	111
Total remuneration	105	-	3	3	111

2016

USD 1 000	SALARY	BONUS	PENSION COST	OTHER COMPENSATION	TOTAL REMUNERATION
Former CEO	411	190	26	11	638
Total remuneration	411	190	26	11	638

Remuneration to Board of Directors

USD 1 000	31.12.2017	31.12.2016
Inge K. Hansen (Chairman)	105	60
Ole Ertvaag	-	-
Pål Magnus Reed	-	-
Gunnar Halvorsen	-	-
Øivind Reinertsen [1]	159	151
Tim P. Bushell [2]	218	88
Total compensation to Board of Directors	483	299

1) Including consulting fee to Oere Invest & Consulting AS
2) Includig consulting fee to Redrock Energy Ltd

Section 8 Other disclosure

8.1. Subsequent events

Refer to Note 8.1 in the Consolidated Financial Statements for events after the balance sheet date.

8.2. Reserves (un-audited)

Refer to Note 8.2 in the Consolidated Financial Statements disclosing information to the Company's reserves (un-audited).

8.3. Related parties

Balances with related parties

USD 1 000		31.12.2017	31.12.2016
Pure E&P AS	Receivables/Liabilities (-)	88	9
Rocksource Gulf of Mexico Corp	Receivables/Liabilities (-)	1	5
Oere Invest & Consulting AS [1]	Management consultancy	-	Note 7.2
Redrock Energy Ltd [2]	Management consultancy	-	Note 7.2
Point Resources Holding AS	Receivables/Liabilities (-)	1 651	
Spike Exploration AS	Receivables/Liabilities (-)	12	
Spike Exploration UK	Receivables/Liabilities (-)	5	
Core Energy Holding	Receivables/Liabilities (-)	91	
Pure E&P Holding AS	Receivables/Liabilities (-)	284	
Geotech Software Solutions AS	Receivables/Liabilities (-)	2	
Rocksource Gulf of Mexico AS	Receivables/Liabilities (-)	6	
CE Investment AS	Receivables/Liabilities (-)	12	
Point Resources FPSO AS	Receivables/Liabilities (-)	3 534	
Point Resources FPSO Holding AS	Receivables/Liabilities (-)	186	
Point Resources Holding AS	Receivables/Liabilities (-)	-248 043	
Other non-current assets, related parties		5 724	
Trade and other receivables, related parties		150	
Loans from related companies		-248 043	

1) Company controlled by board member Øivind Reinertsen
2) Company controlled by board member Tim P. Bushell

Transactions with related parties

USD 1 000		2017	2016
Pure E&P AS	Man hour	-	34
Rocksource Gulf of Mexico Corp	Man hour	36	38
Spike Exploration UK Ltd [1)]	Man hour	-	148
Oere Invest & Consulting AS [2)]	Management consultancy	Note 7.2	Note 7.2
Redrock Energy Ltd [3)]	Management consultancy	Note 7.2	Note 7.2
HitecVision AS	Advisory and negotiation fees	-2 008	-441
Point Resources FPSO AS	Administration costs	18	-
Partsrederiet Jotun DA	Administration costs	7	-
Point Resources FPSO AS	Bareboat Charter Hire	6 927	-
Point Resources FPSO Holding AS	Bareboat Charter Hire	381	-

1) Receivable from Spike Exploration UK Ltd was impaired by kUSD 4 071 in 2016.
2) Company controlled by board member Øivind Reinertsen
3) Company controlled by board member Tim P. Bushell

The Company has a RBL Credit facility with Point Resources Holding AS, for more information see note 5.5.

Investment in shares

		OWNERSHIP PERCENTAGE		CARRYING AMOUNT	
USD 1 000	BUSINESS LOCATION	2017	2016	2017	2016
Pure E&P Holding AS	Oslo, Norway	0.4 %	-	2 008	-
Total investment in shares				2 008	-

For more information on the valuation techniques see note 5.1.

8.4. Licences and joint arrangements

Refer to Note 8.4 in the Consolidated financial statements disclosing information to the Company's licences and joint arrangements.

8.5. Earnings per share

Accounting policy - Earnings per share
Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

USD 1 000	2017	2016
Profit attributable to ordinary equity holders	-33 946	-44 454
Profit attributable to ordinary equity holders for basic earnings	-33 946	-44 454
Interest on convertible preference shares	-	-
Profit attributable to ordinary equity holders adjusted for the effect of dilution	-33 946	-44 454

NUMBER OF SHARES	2017	2016
Weighted average number of ordinary shares for basic EPS [1)]	10 035 310	6 723 254
Effects of dilution from:		
Share options	-	-
Convertible preference shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution [1)]	10 035 310	6 723 254

1) The weighted average number of shares takes into account the weighted average effect of changes in shares during 2016.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

As Point Resources does not have any share options or convertible preference shares as of 31 December 2017 there are no differences between basic and diluted EPS.

8.6. Net profit Interest

Refer to Note 8.6 in the Consolidated Financial Statements disclosing information to the Company's net profit Interest.

8.7. Shares in subsidiaries

Accounting policy - Shares in subsidiaries

Shares in subsidiaries are evaluated at the lower of cost or fair value. Any impairment losses or reversal of impairment losses, are recognised in the statements of comprehensive income. For more information see note 3.2 on estimates, assumptions and impairments.

Shares in subsidiaries

		VOTING/OWNERSHIP		CARRYING AMOUNT	
NAME	**BUSINESS LOCATION**	**2017**	**2016**	**31.12.2017**	**31.12.2016**
Point Resources FPSO Holding AS	Sandnes, Norway	100 %	-	495	-

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To the General Meeting of Point Resources AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Point Resources AS. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017 and income statement, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the

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financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we 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 for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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side 3

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 27 April 2018
Deloitte AS

Ommund Skailand
State Authorised Public Accountant

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