Matra Petroleum AB

Annual Report 2018

Content

Matra in Brief

Matra Petroleum AB ("Matra") is an independent oil and gas exploration and production company with offices in Borger and Houston, Texas, U.S.A and Stockholm, Sweden. The Company was listed on NASDAQ First North in April 2017 and its majority shareholder is Rovelo Investment Ltd (56.2%) which is controlled by the CEO Maxim Barskiy. Matra owns and operates 170 leases in the Panhandle-area, located in northwestern Texas, covering an area of 45,640 acres. Matra has 22.8 million barrels of oil equivalent ("mmboe") of proven (1P) net reserves. In 2018, Matra produced 270,538[1] gross boe.

2018 performance in Brief

- Revenue of TUSD 11,046 (TUSD 9,234), up 20%
- EBITDA of TUSD 6,022 (TUSD 1,400)
- Operating result of TUSD 4,422 (TUSD -560)
- Net result for the period of TUSD -3,490 (TUSD -7,126)
- Earnings per share, before and after dilution, amounted to USD -0.08 per share (USD -0.18 per share)
- MUSD 6.2 acquisition of 4 million boe in proven reserves funded by a directed share issue and debt
- Results positively affected by TUSD 5,186 revaluation of CoreTerra acquisition
- Gross average oil and gas production increased by 8 percent to 724 boepd (671 boepd)
- 17 new production wells drilled
- Proved oil and gas reserves increased to 22,758 (20,964) thousand barrels of oil equivalent, ("mboe") with a Net Present Value of 265 million USD (151 million USD)

[1] This number includes production from acquired CoreTerra properties effective 1st April 2018

Business idea

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

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

Operational and financial summary

(TUSD unless specifically stated)	**2018**	**2017**	**% change**
Gross crude oil production, bbl	**140,294**	127,080	10%
Gross gas and natural liquids production, mcf	**743,709**	707,543	5%
Average daily gross production, boepd	**724**	671	8%
Net crude oil production, bbl	**115,184**	103,714	11%
Net gas and natural liquids production, mcf	**561,668**	523,251	7%
Average daily net production, boepd	**572**	523	9%
Selling price oil, USD/bbl	**61.91**	47.53	30%
Selling price gas USD/mcf	**6.72**	6.78	-1%
Revenues	**11,046**	9,234	20%
Operating result	**4,422**	-560	
EBITDA	**6,022**	1,400	330%
Result for the period	**-3,490**	-7,126	
Earnings per share, USD	**-0.08**	-0.18	
Shareholders’ equity	**20,360**	21,650	-6%
Non-current liabilities	**1,901**	53,636	-96%
Current liabilities	**77,748**	6,471	1,101%
Investments in oil and gas properties	**6,766**	5,172	31%
Number of shares at the end of the year, MSEK	**44,268,652**	39,675,217	
Market capitalization at the end of the period, MSEK	**105**	230	
Share price at the end of the period, SEK	**2.38**	5.8	
1P-reserves mmboe	**22.8**[2]	21.0[3]	

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

Annual General Meeting

The Annual General Meeting will be held on Thursday 23 May 2019, 16:00 CET at Baker McKenzie Law firm, Vasagatan 7, in Stockholm. To attend the AGM, please see Matra’s website, www.matrapetroleum.com, for more information.

[2] Per Degolyer and MacNaughton, Inc. report as of 31 December 2018

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

Letter to Matra's shareholders

Dear Shareholders,

Matra Petroleum's targets for 2018 were to drill 24 wells and to double daily production by yearend. 17 wells were drilled and completed and the targeted production capacity was reached. However, average production volumes have not been sustained at the initial levels reached late in 2018 and remain sensitive to third party gas processing capacity, weather conditions and spending allocations. Drilling of the last 7 wells was postponed in response to weather conditions and the rapid drop in oil prices in the fourth quarter, which affected cash flow and expected returns from new wells.

In 2018, Matra invested 13 MUSD in the drilling program and the acquisition of Corre Terra, resulting in in oil and gas reserve additions and production growth. To fund the investments, we extended our cooperation with Melody Capital Partners as our financial partner that provided additional mezzanine debt financing for our drilling program and become a ten percent shareholder in Matra through the acquisition.

In the first three quarters of the year we recorded sequentially higher oil and gas prices. However, in the fourth quarter oil price volatility increased and prices dropped significantly. We experienced both the highest and the lowest oil prices in the year during Q4. Overall in 2018, average realized oil prices increased while gas price realizations were essentially flat. Increased revenues were recorded driven by higher production and prices.

The Result improved compared to 2017. The purchase price for the Corre Terra acqusition was lower than the net present value of the acquired oil and gas reserves as per the reserve evaluation. Therefore, a gain on bargain purchase of 5.2 MUSD was recorded which affected the financial results positively while hedging losses affected negatively.

Lower oil prices late in 2018 and early 2019 has reduced cash flow and liquidity which constrains our activities and negatively affects production volumes and financing options. Our current efforts are focused on extending and/or refinancing essentially all the company's debt, which is due in 2019 and on improving liquidity. We are in discussions with our lenders with the objective to rapidly resolve the financial situation

29 April 2019

Maxim Barskiy
Chief Executive Officer

Operations

Matra is an independent oil and gas company focusing on production and development of assets through its subsidiary Matra Petroleum USA, Inc ("Matra USA"). Matra USA began its operations in 2013 and operates in the USA where it owns 170 leases covering an area of about 45,640 net acres located in the Texas Panhandle region. The leases are located just outside the Borger city limits. Matra has its office in Stockholm, its US head office in Houston, Texas and a field office in Borger to manage day-to-day operations and production.

Through several acquisitions since 2013, Matra has created an asset base containing 22.8 million barrels of oil equivalent ('mmboe") of proven oil and gas reserves. Approximately 85 percent of the reserves are currently nonproducing presenting significant opportunities for development. The proven reserves are conventional and the producing reservoirs have depths of between 500 and 1,000 meters with average wells drilled to a depth of 1,000 meters.

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

Production

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

Prices and production volumes

	Twelve months 2018			Twelve months 2017		
	Oil, bbl	**Gas, mcf**	**Total oil equivalent**	**Oil, bbl**	**Gas, mcf**	**Total oil equivalent**
Produced volume, gross	140,294	743,709	264,246	127,080	707,543	245,004
Average daily production, gross	384	2,038	724	348	1,938	671
Produced volume, net	115,184	561,668	208,795	103,714	523,251	190,923
Average daily production, net	316	1,539	572	284	1,434	523
Sold volume	114,196	561,668	207,807	104,286	523,251	191,495
Net price (USD/Unit)	61.91	6.72	52.18	47.53	6.78	44.41
Revenue from sales of oil and gas (TUSD)	7,070	3,773	10,843	4,957	3,548	8,505

Hedging

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

Reserves

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

The net present value at a 10 percent discount rate (PV10) of Matra Petroleum's proved net oil and gas reserves as per 31 December 2018 increased by 75% to 265 million USD (151 million USD in previous third-party reserve appraisal as per 30 November 2017). Proved oil and gas reserves were estimated at 22,758 (20,964) thousand barrels of oil equivalent ("mboe"). The increase in value and reserves resulted from successful drilling, an acquisition and higher oil and gas prices.

Category	**Net reserves**			**PV (10%)**
	Oil, mbbl	**Gas, mmcf**	**mboe**	**Thousand USD**
Proved developed producing	1,834	8,951	3,326	49,972
Proved developed non-producing	2,675	18,030	5,680	67,309
Proved undeveloped	8,889	29,176	13,752	147,444
Total proved	**13,398**	**56,157**	**22,758**	**264,725**

Proved developed producing reserves increased by 40%, from 2,378 mboe to 3,326 mboe, primarily as a result of the successful drilling campaign. In the second quarter 2018, Matra acquired 40 oil and gas leases in the Texas Panhandle region, adding estimated proved reserves of 3,934 mboe with a PV 10 of 40.3 million USD as per 31 December 2018.

Non-producing leases with reserves of approximately 1,900 mboe mainly in the proved undeveloped category, included in previous reserve report, were deemed non-economical and relinquished.

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

Board of Directors and Management

Board of directors

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

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

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

Holding in Matra Petroleum AB: 1 942 585 shares (Privately and via Forsinvest AB)

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

Mr. Barskiy (born 1974) has been a member of the board and the Managing director of Matra Petroleum AB since 2017. He has been Chief Executive Officer and Managing Director of Matra USA from 2013 until November 2018. Maxim has worked in the oil and gas industry for more than 13 years. Mr. Barskiy has a MSc degree in Economics from State University of St. Petersburg, St. Petersburg, Russia.

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

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

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

Holding in Matra Petroleum AB: 73,579 warrants.

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

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

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

Holding in Matra Petroleum AB: 73,579 warrants.

Management

Maxim Barskiy
Group Chief Executive Officer

Mr. Barskiy (born 1974) has been a member of the board and the Managing director of Matra Petroleum AB since 2017. He has been Chief Executive Officer and Managing Director of Matra USA from 2013 until November 2018. Maxim has worked in the oil and gas industry for more than 13 years. Mr. Barskiy has a MSc degree in Economics from State University of St. Petersburg, St. Petersburg, Russia.

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

Sergey Funygin
Chief Executive Officer (CEO), Matra Petroleum USA

Mr. Funygin (born 1968) has been promoted to Chief Executive Officer of Matra USA in November 2018. Prior to this, Mr Funygin held the position of Chief Operating Officer since 2014. He has more than 21 years of experience in the exploration and production industry. Sergey holds an MBA from Rice University, Houston, TX.

Holding in Matra Petroleum AB: 367,897 warrants

Elena Selezneva
Chief Financial Officer (CFO)

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

Holding in Matra Petroleum AB: 367,897 warrants

Igor Indychko
Chief Technical Officer (CTO)

Mr. Indychko (born 1970) has been CTO at Matra USA since 2013. He has over 26 years of experience in the oil and gas industry. He holds a MSc degree in Petroleum Engineering from Moscow Academy of Oil and Gas.

Holding in Matra Petroleum AB: 220,737 warrants

Permits and environment

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

Share Information

Listing on First North

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

Shares and options outstanding

Matra Petroleum's registered share capital at 31 December 2018 amounts to TSEK 44,269 represented by 44,268,652 shares of nominal value SEK 1.00000002. All outstanding shares are common shares. Each share in the Company entitles the holder to one vote at shareholders' meetings. Each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

As of 31 December 2018,1,859,485 warrants were outstanding. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 1.01 per share (nominal value) during the period between 31 August 2017 and 31 January 2022. If the warrants are fully exercised it will lead to a dilution of about 4.2 percent of the share capital and votes in the Company (note 25).

No warrants were issued or exercised in 2018.

Dividend policy

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

The board of directors propose that no dividend be paid for the year 2018 (nil).

Share capital development

Registration date	Event	Number of shares change	Number of shares total	Share capital change (SEK)	Share capital total (SEK)
2016-10-26	Founded		50,000		50,000
2017-01-13	New share issue	450,000	500,000	450,000	500,000
2017-01-13	Share split 1:1000	499,500,000	500,000,000	0	500,000
2017-02-14	New share issue	10,950,513,775	11,450,513,775	10,950,513.78	11,450,513.78
2017-02-28	New share issue	22,020,218,798	33,470,732,573	22,020,218.80	33,470,732.57
2017-02-28	Reverse share split 1000:1	-33,437,261,841	33,470,732	0	33,470,732.57
2017-03-06	New share issue	1,359,485	34,830,217	1,359,485.02	34,830,217.60
2017-03-17	New share issue	4,595,000	39,425,217	4,595,000.08	39,425,217.67
2017-04-06	New share issue	250,000	39,675,217	250,000.00	39,675,217.68
2018-06-19 *	New share issue	4,593,435	44,268,652	4,593,435.07	44,268,652.76

* New directed share issue for acquisition of 40 oil and gas leases in the Texas Panhandle region. The subscription price was SEK 4.19 per share.

Largest Shareholders (28 February 2019)

Name	Number of shares	Capital and Votes (%)
Rovelo Investments Limited	24,895,219	56,2
BNY Mellon NA	4,602,028	10,4
Clearstream Banking S.A.	2,963,305	6,7
Six Sis AG	2,511,355	5,7
Forsinvest Aktiebolag	1,942,585	4,4
Danske Bank International S.A.	1,200,000	2,7
Dividend Sweden AB	1,125,582	2,5
UBS Switzerland AG	918,832	2,1
Filip Engelbert	750,000	1,7
Mangold Fondkommission AB	424,064	1,0
Total 10 largest shareholders	41,332,970	93,4
Other shareholders	2,935,682	6,6
Total	44,268,652	100,0

Source: Euroclear

Share Price Development and Turnover

Ticker	MATRA
Year high	6.64 (24 January 2018)
Year low	2.19 (21 December 2018)
Average turnover per day, shares	24,200
Period turnover, shares	6,048,328

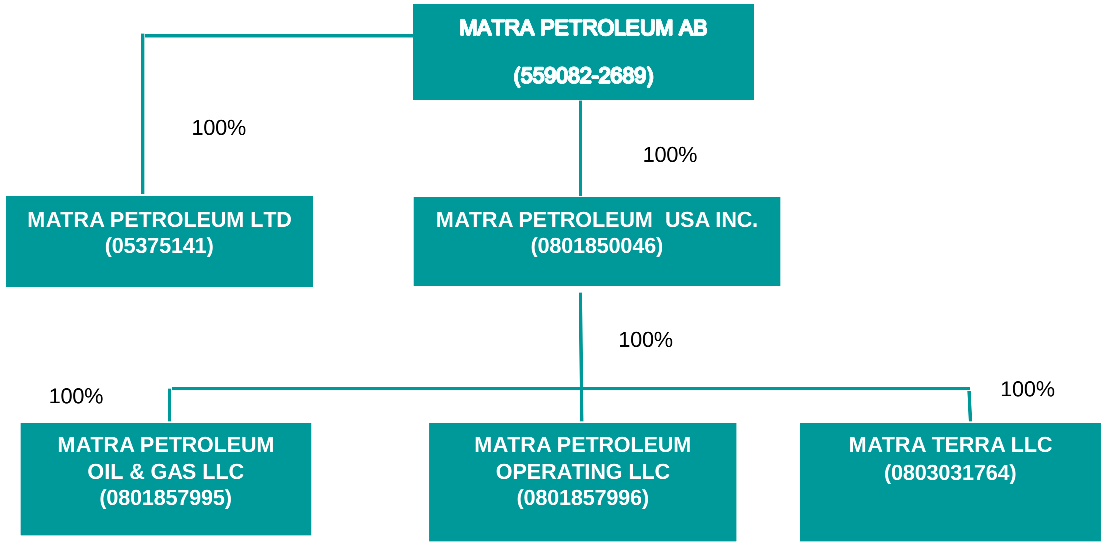
Administration report

The consolidated financial statements of the Matra Petroleum Group (hereafter referred to as "Matra Petroleum" "Matra" or the "Group"), where Matra Petroleum AB (publ) ("Matra AB", Matra Petroleum AB" or the "Company") with organizational number 559082-2689 is the parent company, and the annual report for the parent company Matra Petroleum AB (publ) are hereby presented for the twelve months ended 31 December 2018 and the period 26 October 2016 – 31 December 2017 respectively. Figures in brackets refer to the corresponding period last year, unless otherwise stated.

Group structure

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

Matra AB is incorporated in Sweden and has its office in Stockholm. Matra has its US head office in Houston, Texas and a field office in Borger to manage day-to-day operations and production. As per 31 December 2018, the Group had 25 employees (32).



Operations

Matra is an independent oil and gas company focusing on production and development of assets through its subsidiary Matra USA. Matra USA began its operations in 2013 and operates in the USA where it owns 170 leases covering an area of about 45,640 net acres located in the Texas Panhandle region. The leases are located just outside the Borger city limits.

Production

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

	Twelve months 2018			Twelve months 2017		
	Oil, bbl	**Gas, mcf**	**Total oil equivalent**	**Oil, bbl**	**Gas, mcf**	**Total oil equivalent**
Produced volume, gross	140,294	743,709	264,246	127,080	707,543	245,004
Average daily production, gross	384	2,038	724	348	1,938	671
Produced volume, net	115,184	561,668	208,795	103,714	523,251	190,923
Average daily production, net	316	1,539	572	284	1,434	523
Sold volume	114,196	561,668	207,807	104,286	523,251	191,495
Net price (USD/Unit)	61.91	6.72	52.18	47.53	6.78	44.41
Revenue from sales of oil and gas (TUSD)	7,070	3,773	10,843	4,957	3,548	8,505

Gross production, including production from acquired properties effective 1st April 2018, increased 10 percent in the twelve months ended 31 December 2018 and amounted to 270,538 boe, corresponding to 741 boepd. Production from acquired properties were included in the consolidated operational results from the closing date on 4 June 2018.

Consolidated gross production increased by 8 percent in the twelve months ended 31 December 2018 and amounted to 264,246 boe, corresponding to 724 boepd (245,004 boe and 671 boepd). The net consolidated production amounted to 208,795 boe, corresponding to 572 boepd (190,923 boe and 523 boepd). 55 percent of the production was oil and 45 percent was gas.

Oil and gas reserves

The net present value (PV10) of Matra Petroleum's proved net oil and gas reserves as per 31 December 2018 increased by 75% to 265 million USD (151 million USD in previous third party reserve appraisal as per 30 November 2017). Proved oil and gas reserves were estimated at 22,758 (20,964) mboe. The increase in value and reserves resulted from successful drilling, an acquisition and higher oil and gas prices.

Category	**Net reserves**			**PV (10%) Thousand USD**
	Oil, mbbl	**Gas, mmcf**	**mboe**	
Proved developed producing	1,834	8,951	3,326	49,972
Proved developed non-producing	2,675	18,030	5,680	67,309
Proved undeveloped	8,889	29,176	13,752	147,444
Total proved	**13,398**	**56,157**	**22,758**	**264,725**

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

Revenue

Total revenue in the year ended 31 December 2018 amounted to TUSD 11,046, representing a 20 percent increase compared with the year ended 31 December 2017 (TUSD 9,234). Total revenue included revenue from sales of oil of TUSD 7,070, gas TUSD 3,773 and other income TUSD 203. The increase in revenue was primarily driven by higher selling prices for oil and higher production. Revenues include revenues of TUSD 864 from acquired properties from 4 June 2018. The average received selling prices amounted to USD 61.91 per bbl for oil and USD 6.72 per mcf for gas (USD 47.53 per bbl and USD 6.78 per mcf).

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

Costs

Production costs for the year amounted to TUSD 6,196 representing an increase of 22 percent compared with the year ended 31 December 2017 (TUSD 5,070). Production costs include oil and gas production costs amounting to TUSD 5,657 (TUSD 4,665). Oil and gas production costs increased as operations expanded though the acquisition of additional oil and gas leases in the Texas Panhandle.

Oil and gas production costs, excluding production taxes and inventory movements, per gross boe in the year ended 31 December 2018 were USD 21 (USD 19) and depletion costs per gross boe for the same period were USD 6 (USD 5). Low temperatures required additional hot oil treatment, compressor repairs, electrical and flowline repairs that affected the 2018 production costs. The depletion charges per boe were adjusted to reflect the updated reserve report as of 31 December 2018 and the CoreTerra acquisition.

General and administrative expenses amounted to TUSD 3,459 in the year ended 31 December 2018, an increase of 4 percent as compared to the year ended 31 December 2017 (TUSD 3,318) which was mostly due to higher payroll and legal fees in 2018.

Other gain/(loss)

Other gain/(loss) amounted to TUSD 4,759 (TUSD -109) and represent a gain on bargain purchase of TUSD 5,186 (nil) and a gain of TUSD 129 (loss of TUSD -664) from revaluation of derivative contracts held by the company for hedging purposes during the year and losses realized on settlement of derivative contracts of TUSD -556 (TUSD 555) accordingly.

The purchase price for the CoreTerra acquisition was significantly lower than the net present value of the acquired oil and gas reserves as per the reserve evaluation. Therefore, the fair value exceeds the purchase price and a gain on bargain purchase of TUSD 5,186 was recorded, which positively affected the Operating result and EBITDA for the year ended 31 December 2018.

Operating result and EBITDA

The operating result for the year ended 31 December 2018 amounted to TUSD 4,422, compared to TUSD -560 for the year ended 31 December 2017. EBITDA for the year ended 31 December 2018 amounted to TUSD 6,022 (TUSD 1,400).

Net financial items

The net financial items amounted to TUSD -7,912 in the year ended 31 December 2018 (TUSD -6,566). The difference was a result of increases in debt and interest rates and movements in foreign currency exchange rates. Interest of TUSD 5,624 on the term loan with Melody Business Finance LLC, recorded as finance cost, is due at maturity 31 December 2019.

Tax

There was no tax charge for the reporting period ended 31 December 2018 (nil).

Result

For the year ended 31 December 2018 Matra reports a net result after tax of TUSD -3,490 corresponding to an earnings per share, before and after dilution, of USD -0.08 (net result after tax of TUSD -7,126 and -0.18 USD per share).

Investment

Total investments in the year ended 31 December 2018 amounted to TUSD 6,766 compared to TUSD 5,172 for the year ended 31 December 2017.

In the year ended 31 December 2018, Matra drilled 17 new production wells, all of which were completed and on production as of the reporting date.

Financing and Liquidity

Effective 30 March 2018, Matra closed the financing transaction, under which Melody would provide up to MUSD 10 of additional capital to fund Matra's 2018 drilling and development program. As of 31 December 2018 Melody had advanced TUSD 7,977 under the facility.

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

As of 31 December 2018 Matra's total liquidity amounted to TUSD 1,155 (December 31, 2017: TUSD 604). Cash flow from operations for the year ended 31 December 2018 amounted to TUSD -406 (TUSD -342).

As per date of the annual report, loans provided under the credit agreements with Legacy Texas Bank and Melody have been classified as current liabilities in the balance sheet, as they mature in the third and fourth quarters 2019. Matra intends to and is in the process of renegotiating the terms of debt and/or securing debt refinancing of the loans prior to maturity. Further information is provided in the section Continued operations – Going Concern below.

Continued Operations – Going Concern

The board of directors continuously evaluates the group's liquidity and financial resources in the short- and the long term perspective. In connection with the preparation of the Annual Report, the board should evaluate this with a twelve months perspective.

As of the date of this directors' report, the group's liquidity is constrained and Matra Petroleum's U.S subsidiary has not secured refinancing or extension of loans and commitments that expire in the coming year, including loans provided under credit agreements with Legacy Texas Bank and Melody Business Finance, see note 19. Negotiations are being conducted with the U.S subsidiary's creditors and the group is evaluating other financing alternatives with the objective to extend maturities and/or refinancing of Group companies' commitments and to secure sufficient liquidity for the operations. The U.S subsidiary has taken and is taking action to improve operating cash flow and improve liquidity.

As the Group has not secured financing for the coming twelve months, material uncertainties exist regarding the U.S subsidiary's financial situation which may cast significant doubt on the Group's ability to continue as a going concern. Should the outcome of abovementioned activities not be favorable, it could mean that the conditions for continued operations would be insufficient.

The board of directors considers that it is probable that the abovementioned actions and activities can be executed and that liquidity will be strengthened. This report has therefore been prepared with the going concern assumption.

Parent company

The parent company's net result before tax for the year ended 31 December 2018 amounted to TSEK -4,660 (TUSD -531 at SEK/USD 8.7809) compared to the net result before tax for the year ended 31 December 2017 of TSEK -6,666 (TUSD -790 at SEK/USD 8.4349). The parent company became the parent company of the group during the year ended 31 December 2017.

As of 31 December 2018, the liquidity of the parent company amounted to TSEK 249, equivalent of TUSD 28 at SEK/USD 8.8707 (TSEK 990 an equivalent of TUSD 121 at SEK/USD 8.1702).

Significant events following 31 December 2018

In March 2018, one of Matra USA's former directors initiated an arbitration proceeding by filing an Arbitration Demand for an alleged breach of an employment agreement and Matra USA filed a counterclaim. In October 2018, the Arbitrator issued an opinion in the plaintiff's favour, which Matra USA moved to vacate in the United State Southern District court. A court hearing was held in January 2019. In February 2019, the court confirmed the Arbitration award to the former director. Matra is evaluating financing and settlement options for the award. The awarded compensation of TUSD 2,400 has been accrued in the financial statements, see note 5 and 22.

Board of directors

Matra's board of directors consists of four ordinary members, including the chairman of the board, with no deputy board members, all of whom are elected for the period up until the end of the annual shareholders' meeting 2019. The board of directors consist of Eric Forss (Chairman), Maxim Barskiy (CEO), Ekaterina Konshina and Frank C. Lytle. Three of the directors are independent in relation to the company and major shareholders and one director is not independent in relation to the company and major shareholders.

Remuneration to executive management

Remuneration to the managing director and executive management consists of basic salary, other benefits and pensions. Other members of the executive management are the three persons who together with the managing director, comprise the Group management (note 7).

As of 31 December 2018, the managing director receives USD 1,500 (USD 16,833) per month excluding medical insurance benefits. Other persons of the executive management receive market rated monthly salaries and customary benefits. No variable remuneration is paid. Individual remuneration to the managing director is approved by the board of directors, and individual remuneration of other members of the executive management are determined by the managing director.

Share data

There was one new share issue in 2018 to Melody Capital Partners, LP ("Melody") as part of the consideration for the assets acquired. Melody received a total of 4,593,435 shares valued at SEK 19,246,493 (MUSD 2.2) corresponding to a subscription price of SEK 4.19.

As per reporting date, the number of outstanding shares in Matra Petroleum AB (publ) amounted to 44,268,652 (basic) and 46,128,137 (diluted). As per 31 December 2017, the number of outstanding shares in Matra Petroleum AB (publ) amounted to 39,675,217 (basic) and 41,534,702 (diluted).

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

Warrants to management

On 8 February 2017, it was resolved to issue a maximum of 1,859,485 warrants in order to replace previous ownership assurances to management in Matra USA which were issued on 28 February 2017. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 1.01 per share (nominal value) during the period between 31 August 2017 and 31 January 2022. If the warrants are fully exercised it will lead to a dilution of about 4.2 percent of the share capital and votes in the Company (note 25). No warrants were issued or exercised in the year ended 31 December 2018.

Seasonal effects

Harsh winters may cause wells being shut down due to frozen oil and gas lines as well as higher costs of oil treatment as compared to summer season which will lead to lower production and higher costs in winter. In summer time production may be impacted by electrical problems resulted from thunder storms.

Transactions with related parties

Remuneration to senior management and the Board of Directors in the year ended 31 December 2018 was TUSD 728 compared to the year ended 31 December 2017 TUSD 720. The difference was due to no staff in the 1st quarter 2017 in the parent company. Other related party transactions occurred in 2018 are disclosed in the notes 7 and 26.

Risk and uncertainties

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

Dividend

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

Proposed disposition of unrestricted earnings

The board of directors propose to the annual general meeting that the share premium reserve of SEK 252,562,066, the retained earnings of SEK -6,666,667 and the loss for the year, SEK -4,659,943 be brought forward in accordance with the table below:

	2018
Share Premium Reserve	252,562,066
Retained earnings	-6,666,667
Loss for the year	-4,659,943
Total	**241,235,456**
To be brought forward	**241,235,456**

Financial statements

The result of the group's and parent company's operations and the financial position at the end of the financial year is shown in the following income statement, balance sheet, cash flow statement, statement of changes in equity and related notes. Balance sheet and income statement will be resolved at the Annual General Meeting, 23 May 2019.

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Expressed in TUSD	Notes	2018	2017
Revenue	3	11,046	9,234
Costs of sales:			
Production costs	4	-6,196	-5,070
Depletion and accretion		-1,728	-1,297
Gross profit/loss		3,122	2,867
General and administrative	5, 6, 7	-3,459	-3,318
Other gain / (loss)			
Gain on bargain purchase	12	5,186	-
Net gain/loss on derivative contracts	9	-427	-109
Operating profit/loss		4,422	-560
Net financial items			
Finance costs	8	-7,912	-6,566
		-7,912	-6,566
Profit/loss before tax		-3,490	-7,126
Income tax	10	-	-
Profit/loss after tax		-3,490	-7,126
Result for the year		-3,490	-7,126
Attributable to:			
Shareholders of the Parent Company		-3,490	-7,126
		-3,490	-7,126
Other comprehensive result			
Items that may be reclassified to profit or loss			
Currency translation gains/losses		14	160
		14	160
Total comprehensive loss			
Attributable to:			
Shareholders of the Parent Company		-3,476	-6,966
Basic and diluted earnings per share, USD		-0.08	-0.18
Weighted average number of shares, basic and diluted		42,318,015	38,908,131
Number of shares at year end (basic)		44,268,652	39,675,217
Number of shares at year end (diluted)		46,128,137	41,543,702

CONSOLIDATED BALANCE SHEET

Expressed in TUSD	**Notes**	**2018**	**2017**
ASSETS			
Non-current assets			
Oil and gas properties	14	99,029	80,957
Other tangible fixed assets		183	275
Other non-current assets	13	250	250
Total non-current assets		99,462	81,482
Current assets			
Inventories		238	170
Trade and other receivables	15	820	1,296
Derivative instruments	23	129	-
Cash and cash equivalents	16	1,155	604
Total current assets		2,342	2,070
TOTAL ASSETS		101,804	83,552
EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	17	20,360	21,650
Non-controlling interest		1,795	1,795
Total equity		22,155	23,445
Liabilities			
Non-current liabilities			
Borrowings	19	59	52,625
Decommissioning provision	24	1,842	1,011
Total non-current liabilities		1,901	53,636
Current liabilities:			
Borrowings	19	71,706	953
Trade and other payables	21	3,307	2,080
Accrued liabilities	22	2,735	3,056
Derivative instruments	23	-	382
Total current liabilities		77,748	6,471
Total liabilities		79,649	60,107
TOTAL EQUITY AND LIABILITIES		101,804	83,552

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in TUSD	**Notes**	**2018**	**2017**
Cash flows from operating activities			
Net result		-3,490	-7,126
Adjustments for:			
Depletion, depreciation and amortisation		1,729	1,297
Gain on bargain purchase	12	-5,186	0
Finance costs	8	7,912	6,480
Unrealised gain/ loss on derivative contracts	9	-129	664
Loss on returned leased car		-	-37
Interest paid		-1,303	-1,250
Changes in working capital		61	-370
Net cash (outflow) from operating activities		**-406**	**-342**
Cash flows from investing activities			
Oil and gas properties acquisition		-	-5,172
Investment in oil and gas properties		-6,766	-
Net cash (outflow) from investing activities		**-6,766**	**-5,172**
Cash flows from financing activities			
Proceeds from issue of shares		-	5,701
Issue costs		-14	-1,065
Loan advances received		7,977	-
Loan repayment		-210	-
Cash paid for finance costs		-44	-210
Net cash inflow from financing activities		**7,709**	**4,426**
Net increase (decrease) in cash and cash equivalents		537	-1,088
Cash and cash equivalents at the beginning of the financial year		604	1,532
Effects of exchange rate changes on cash and cash equivalents		14	160
Cash and cash equivalents at the end of year		**1,155**	**604**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

Expressed in TUSD	Share capital	Additional paid in capital/Other reserves	Foreign currency translation	Retained deficit	Total	Non-controlling interest	Total equity
Total equity as at 1 January 2018	**4,421**	**72,146**	**160**	**-55,077**	**21,650**	**1,795**	**23,445**
Result for the period	-	-	-	-3,490	-3,490	-	-3,490
Translation differences	-	-	14	-	14	-	14
Total comprehensive income for the period	**-**	**-**	**14**	**-3,490**	**-3,476**	**-**	**-3,476**
New shares issue (non-cash)	525	1,675	-	-	2,200	-	2,200
Issue costs	-	-14	-	-	-14	-	-14
Total equity as at 31 December 2018	**4,946**	**73,807**	**174**	**-58,567**	**20,360**	**1,795**	**22,155**

PARENT COMPANY INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

Expressed in TSEK	Notes	2018	From 26 Oct 2016 to 31 Dec 2017
Revenue		**2,202**	**185**
Operating expenses			
Other external services	6	-3,982	-5,653
Personnel expenses	7	-352	-457
Total operating expenses		**-4,334**	**-6,110**
Operating result		**-2,132**	**-5,925**
Profit/loss from financial items			
Loss from shares in group companies	11	-2,526	-
Exchange losses		-	-727
Interest expenses		-2	-14
Total profit/loss from financial items		**-2,528**	**-741**
Income tax	10	-	-
Net loss for the year		**-4,660**	**-6,666**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**-4,660**	**-6,666**

PARENT COMPANY BALANCE SHEET

Expressed in TSEK	Notes	2018	2017
ASSETS			
Non-current assets			
Participations in Group companies	11	287,766	270,520
Total non-current assets		**287,766**	**270,520**
Current assets			
Current receivables			
Receivables from Group companies		269	484
Prepaid expenses and accrued revenues	15	132	101
Total current receivable		**401**	**585**
Cash and cash equivalents	16	249	990
Total current assets		**650**	**1,575**
TOTAL ASSETS		**288,416**	**272,095**
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders' Equity	**17**		
Restricted equity:			
Share capital		44,269	39,675
Unrestricted equity			
Share premium reserve		252,562	238,075
Retained earnings		-11,326	-6,666
Total shareholders' equity		**285,505**	**271,084**
Current Liabilities			
Accounts payable - trade	21	580	440
Liabilities to Group companies		502	80
Accrued liabilities	22	1,829	491
Total current liabilities		**2,911**	**1,011**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**288,416**	**272,095**

PARENT COMPANY CASH FLOW STATEMENT

Expressed in TSEK	2018	From 26 Oct 2016 - 31 Dec 2017
Cash flows from operating activities		
Operating profit/loss after financial items	-4,660	-6,666
Adjustments for:		
Loss from shares in group companies	2,526	-
Increase/decrease in other current receivables	-341	-585
Increase/decrease in accounts payable - trade	140	440
Increase/decrease in other current operating liabilities	1,760	571
Net cash (outflow) from operating activities	**-575**	**-6,240**
Cash flows from investing activities		
Capital contribution	-	-33,714
Net cash (outflow) from investing actitivities	**-**	**-33,714**
Cash flows from financing activities		
Share issues, net after issue costs	-166	40,944
Net cash (outflow) from financing activities	**-166**	**40,944**
Net (decrease) in cash and cash equivalents	**-741**	**990**
Cash and cash equivalents at the beginning of the financial year	990	0
Cash and cash equivalents at the end of year	**249**	**990**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Expressed in TSEK	Share capital	Share premium reserve	Retained deficit	Total equity
Opening equity 26 October 2016	**-**	**-**	**-**	**-**
Result for the period	-	-	-6,666	-6,666
Total comprehensive income for the period	**-**	**-**	**-6,666**	**-6,666**
Formation of the Company and Share issues, net after issue costs	39,675	238,075	-	277,750
Closing equity as at 31 December 2017	**39,675**	**238,075**	**-6,666**	**271,084**

Expressed in TSEK	Share capital	Share premium reserve	Retained deficit	Total equity
Opening equity as at 1 January 2018	**39,675**	**238,075**	**-6,666**	**271,084**
Result for the period	-	-	-4,660	-4,660
Total comprehensive income for the period	**-**	**-**	**-4,660**	**-4,660**
New shares issue	4,594	14,653	-	19,247
Issue costs	-	-166	-	-166
Closing equity as at 31 December 2018	**44,269**	**252,562**	**-11,326**	**285,505**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018 and 31 December 2017 (Tabular amounts are in US Dollars, unless otherwise stated).

Corporate information and basis of preparation

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

These consolidated financial statements (the "Financial statements") reflect the activity for the year ended 31 December 2018 and the comparative for the year ended 31 December 2017.

The financial report of the Parent Company has been prepared in accordance with accounting principles generally accepted in Sweden, applying RFR 2 Reporting for legal entities, issued by the Swedish Financial Reporting Board and the Annual Accounts Act (SFS 1995:1554) and reflect the activity of the Company for the year ended 31 December 2018 and the comparative for the 15 months ended 31 December 2017.

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

The Board of Directors and the Managing Director have, on 29 April 2019, approved this annual report and consolidated financial statements for publication. The Board of Directors propose that the retained earnings of the Parent Company will be retained, and no dividend is paid.

Accounting standards, amendments and interpretations

(i) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

IFRS 9 "Financial Instruments"

The standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

IFRS 15 "Revenue from contract with customers"

The standard replaces IAS 18 "Revenues" and IAS 11 "Construction Contracts". The new standard is based on the principle that revenue is recognised when control of a good or services transfers to a customer. The good or service is transferred when the customer acquires control over the asset, which may happen either over time or at a particular point in time. In all important respects the Group's previous revenue recognition practices conform with IFRS 15 and the new Standard will therefore have no impact on the Group's performance and financial position. However, additional information about the disaggregation of revenue is given in Note 1.

A new five-step model must be applied before revenue can be recognised: 1) identify contracts with customers; 2) identify the separate performance obligation; 3) determine the transaction price of the contract; 4) allocate the transaction price to each of the separate performance obligations, and 5) recognize the revenue as each performance obligation is satisfied.

At the start of a customer contract, Matra decides whether the goods and/or services that are promised comprise a single performance obligation or several separate performance obligations. A performance obligation is defined as a distinct promise to transfer a good or service to the customer. A promised good or service is distinct if both the following criteria are met:

a) The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and
b) The Group's promise to transfer the good or services to the customer is separately identifiable from other promises in the contract.

Due to the nature of Matra's business the transaction price is linked to the monthly oil and gas price. Furthermore, the Company doesn't receive advance payments from customers and none of the Group's customer contracts concerning the sale of goods or services is thought to incorporate a significant financing component. The Group reports no contract assets because it adopts the practical solutions permitted by the standard which means that moneys for paying a customer contract are reported as costs at the time when they arise if the write-off period for the asset that the Group would otherwise have reported is no more than one year.

Matra allocates the transaction price to each performance obligation on the basis of a stand-alone selling price. A stand-alone selling price is the price at which the Group would sell the good or service separately to a customer. A stand-alone selling price is directly observable, hence no further calculations are required to determine a selling price.

Any rebates are allocated proportionately to all performance obligations in the contract unless there is clear evidence that the rebates do not apply to all performance obligations.

Matra recognizes revenues when the Group fulfills a performance obligation by delivering a good or service to a customer, i.e. when the customer acquires control over the asset. A performance obligation be fulfilled at a particular point in time.

Matra's revenues come mainly from sales of products. Properties operating services relate to only a limited part of the revenues. Reporting of revenues resulting from sale of the Group's products is made at a particular point in time when the customer acquires control of the product – normally upon delivery.

Adjustment of opening balances in 2018

The group has assessed the effects of the above standards introduction and came to a conclusion that they did not have any material impact on the amounts recognised in current or prior periods. Since IFRS 9 and IFRS 15 have no material impacts in the financial reports, no new opening balance is presented in 2018.

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group.

IFRS 16 "Leases"
This standard will replace IAS 17 "Leases" and requires assets and liabilities arising from all leases, with some exceptions, to be recognised on the balance sheet. IFRS 16 will apply to the accounting year that begins on 1 January 2019. The group will apply the standard from its mandatory adoption date. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group has reviewed all of the group's financial leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases. The Group's lease contracts mainly concern leased promises, company cars and production and office equipment. The Group identified only two relevant contract containing operating leases with no material impact on the financial statements of the Group.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Basis of consolidation

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

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

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

Non-controlling interest

The Non-controlling interest relates to 100 shares of Series A preferred shares outstanding at both 31 December 2018 and 2017, held by Rovelo Limited in Matra Petroleum USA, Inc. Series A preferred shareholders are not entitled to receive dividends. As long as any Series A preferred shares are outstanding, the Company cannot declare dividends to or repurchase shares from the common shareholders with the exception of stock dividends junior to the Series A preferred shares. On any voluntary or involuntary liquidation, dissolution, or winding up of Matra USA, the Series A preferred shareholders are to receive a liquidation preference of approximately TUSD 26 per share before any amount is paid to the common shareholders. If the amount to be liquidated is less than the liquidation preference then the Series A preferred shareholders receive all the proceeds. After payment to the Series A preferred shareholders, Matra USA's remaining assets will be distributed to the common shareholders.

Matra USA, at the option of the Board of Directors, may at any time redeem wholly or in part the outstanding Series A shares for approximately TUSD 26 per share. The Series A preferred shareholders have no voting rights but must approve by a two-thirds majority any amendment, alteration or repeal of an article of the certificate of incorporation which would materially and adversely impact the preference, rights, and voting power of the Series A preferred shares. Additionally, pursuant to the Term Loan described in note 19 ”Borrowings”, the repurchase of any equity interests are not permitted without the consent of Melody Capital Finance, LLC. As Rovelo holds the Series A preferred shares in Matra USA, the preferred shares have been recorded within equity on the accompanying consolidated balance sheets.

Segmental reporting

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

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

Business combinations

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

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

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

Acquisition-related costs are expensed as incurred.

Foreign currency translation

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

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

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

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

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

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

The following rates were used to translate these financial statements:

Currency	**As at 31 December 2018**	**Average for 2018**	**As at 31 December 2017**	**Average for 15 months to 31 December 2017**
SEK to USD	8.8707	8.7809	8.1822	8.4349

Oil and gas properties

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

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

Other tangible assets

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

Computers and office equipment - 25% per annum straight line.

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

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

Financial instruments

Assets and liabilities are recognised initially at fair value with fair value changes in profit or loss unless stated otherwise. Financial assets are de-recognised when the contractual rights to receive cash flows from the investments have expired or when substantially all the risk and rewards of ownership have been transferred. Financial liabilities are de-recognised when the obligations specified in the contract are either fulfilled or otherwise terminated.

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

The Group recognizes the following financial assets and liabilities:

Financial assets at amortised cost

Loans and receivables

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

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost (unless the effect of the time value of money is immaterial), using the effective interest method, less allowance for impairment in value.
The fair value of trade receivables corresponds to their carrying amounts due to the short-term nature of the current receivables.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents
Cash include cash on the group's current bank accounts and restricted cash. Currently there are no cash equivalents. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Financial assets at fair value through profit or loss (FVTPL)
Financial assets measured at FVTPL are assets which do not qualify as financial assets at amortised cost or at fair value through other compehensive income.

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

The Company's derivative instruments consist of swap and collar arrangements for oil and natural gas. In a commodity swap agreement, if the agreed-upon published third-party index price ("index price") is lower than the swap fixed price, the Company received the difference between the index price and the swap fixed price. If the index price is higher than the swap fixed price, the Company pays the difference. For collar arrangements, the Company receives the difference between an agreed-upon index and the floor price if the index price is below the floor price. The Company pays the difference between the agreed-upon ceiling price and the index price if the index price is above the ceiling price. For the years ended 31 December, 2018 and 2017, net cash settlements received/paid on these derivative contracts totaled MUSD 0.95 and MUSD 0.66, respectively.

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

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

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

Financial liabilities at amortised cost
Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, or the Group has opted to measure them at FVTPL. Borrowings and accounts payable are recognised initially at fair value, net of any transaction costs incurred, and subsequently at amortised cost using the effective interest method.

Financial Liabilities at FVTPL
Financial liabilities measured at FVTPL are liabilities which include embedded derivatives and cannot be classified as amortised cost.

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

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

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

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

Inventories

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

Current and deferred taxation

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

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

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

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

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

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

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

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

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

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

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

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

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

Currently the group has an optional 401(k) Profit sharing plan ("401k plan") in place in the U.S. In accordance with the terms of the plan, Matra USA matches 100 percent of contributions made by qualified employees who chose to participate in the 401k plan. Note 7 provides further details on the benefit.

Warrants to management

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

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

Revenue

Revenues from the sale of crude oil and natural gas are recognised in the income statement net of royalties attributable to royalty owners. Sales of crude oil and natural gas are recognized when production is sold to a purchaser at a fixed or determinable price, delivery has occurred, title has transferred, and collectability of the revenue is probable. Delivery occurs and title is transferred when production has been delivered to a pipeline, railcar or truck. The sales method of accounting is used for oil and natural gas sales such that revenues are recognized based on the Company's share of actual proceeds from the oil and natural gas sold to purchasers. Revenues from the production of natural gas and crude oil properties in which the Company has an interest with other producers are recognized based on the actual volumes sold during the period. Any differences between volumes sold and entitlement volumes, based on the Company's net working interest, which are deemed to be non-recoverable through remaining production, are recognized as accounts receivable or accounts payable, as appropriate. For the years ended 31 December 2018 and 2017, there were no significant oil and natural gas imbalances.

Other income

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

Production costs

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

Related party transactions

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

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

Diluted earnings per share

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

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

There is a potential dilution due to the warrants issued to management (note 25). Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. As the Group currently has a net loss, there is no effect from dilution.

Critical accounting estimates and judgements

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

Estimates in oil and gas reserves

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

Estimates of the Company's producing and non-producing oil and natural gas reserves as of 31 December 2018 and 2017 were based on a report prepared by an independent, third party engineer. Estimates of proved reserves are based on the quantities of oil and natural gas that engineering and geological analyses demonstrate, with reasonable certainty, to be recoverable from established reservoirs in the future under current operating and economic parameters.

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

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

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

Total proved reserves present value at 10% (MUSD)	265	265
Change in discount rate (%)	+2	-2
Total effect on proved reserves present value	-34	42

Information about the carrying amounts of the oil and gas properties and the amounts charged to income, including depletion, exploration costs, and impairment costs is presented in note 14.

Provision for site restoration

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

The effects of changes in estimates do not give rise to prior year adjustments and are treated prospectively over the estimated remaining commercial reserves of each field. While the Group uses its best estimates and judgement, actual results could differ from these estimates. Information about the carrying amounts of the provision for site restoration is presented in note 24.

Decommission provision in financial statements (TUSD)	1,842	1,842
Change in decommissioning provision (%)	+10	-10
Total effect result before tax (TUSD)	184	-184

Impairment of oil and gas properties

The Group performs impairment tests, on a field by field basis, oil and gas properties when there is an indication for a change in the value of oil and gas properties to determine that the net book amount of capitalized costs within each field is covered by the anticipated future net revenue from oil and gas reserves attributable to the Group's interest in related fields (note 14). The Group has used its judgement and made assumptions e.g. future oil prices, discount rates and reserves and resources to perform these tests.

There was no indication for a potential impairment in oil and gas properties as of 31 December 2018. A discounted cash flow analysis of oil and gas properties performed for the year ended 31 December 2018 showed no impairment. The Company's reserve report is prepared by a third party engineering firm to ensure the Company's reserves are evaluated by an independent firm.

Recognition of deferred tax assets and loss carry forward:

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

Definitions of key ratios

1. EBITDA (earnings before interest, tax, depreciation and amortisation) is defined as the Group's operating profit plus depreciation, impairments and unrealized gain/(loss) on derivative contracts.

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

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

Parent Company accounting principles

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

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

Formats
The income statement and balance sheet follow the format of the Annual Accounts Act. The Parent Company financial statements reflect the activity for the year ended 31 December 2018 and the comparative period from 26 October 2016 to 31 December 2017.

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

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

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

Note 1 – Risk and uncertainties

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

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

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

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

Foreign exchange risk
The group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US dollar. Foreign exchange risk arises from future capital transactions and recognised assets and liabilities denominated in a currency other than US dollar. The risk is measured through a forecast of highly probable US dollar expenditures. No foreign exchange hedging has been undertaken during 2018 or 2017 as US dollar expenditures at Matra AB level were not material.

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

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

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

Oil production sensitivity analysis				
Total net production, mboe	209	209	209	209
Change in oil production (%)	+5	-5	+10	-10
Average oil price	61.91	61.91	61.91	61.91
Total effect on revenue (TUSD)	357	-357	713	-713

Gas production sensitivity analysis				
Total net production, mboe	209	209	209	209
Change in gas production (%)	+5	-5	+10	-10
Average gas price	6.72	6.72	6.72	6.72
Total effect on revenue (TUSD)	31	-31	63	-63

Oil price sensitivity analysis				
Net result in financial statements (TUSD)	-3,490	-3,490	-3,490	-3,490
EBITDA (TUSD)	6,022	6,022	6,022	6,022
Change in oil price (%)	+5	-5	+10	-10
Total effect on result before tax and EBITDA (TUSD)	353	-353	707	-707

Gas price sensitivity analysis				
Net result in financial statements (TUSD)	-3,490	-3,490	-3,490	-3,490
EBITDA (TUSD)	6,022	6,022	6,022	6,022
Change in gas price (%)	+5	-5	+10	-10
Total effect on result before tax and EBITDA (TUSD)	189	-189	377	-377

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

The group has the following oil and gas prices hedges:

Expressed in TUSD	**2018**	**2017**
Assets		
Derivatives - current	129	-
	129	**-**
Liabilities		
Derivatives - current	-	382
	-	**382**

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

As at 31 December 2018, the Group's trade and other receivables amounted to TUSD 820 (TUSD 1,296). There is no recent history of default and there are no expected losses. Other long-term and short-term receivables are considered recoverable and no expected credit loss provision was accounted for as at 31 December 2018. Cash and cash equivalents are maintained with banks having strong long-term credit ratings.

Liquidity risks and capital risk
Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period the group held cash in bank of TUSD 1,155.

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

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

Maturity table

Expressed in TUSD	Less than 6 months	6-12 months	Between 1 and 2 years	Over 2 years	Total contractual cash flows	Carrying amount liabilities
At 31 December 2018						
Trade payables	2,588	94	77	-	2,759	3,307
Derivatives	-	-	-	-	-	-
Borrowings (excluding finance leases)	-	71,944	-	-	71,944	71,558
Finance lease liabilities	74	74	59	-	207	207
Total	**2,662**	**72,112**	**136**	**-**	**74,910**	**75,072**
At 31 December 2017						
Trade payables	1,480	151	-	-	1,631	1,631
Derivatives	164	218	-	-	382	382
Borrowings (excluding finance leases)	-	-	-	54,381	54,381	52,501
Finance lease liabilities	56	57	89	34	236	236
Total	**1,700**	**426**	**89**	**54,415**	**56,630**	**54,750**

Note 2 – Segment information

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

As of 31 December 2018 and 2017, the group was engaged in oil and gas exploration and production business only in Texas, USA.

Geographical area

Expressed in TUSD	***2018***	***2017***
Segment revenue		
Texas, USA	11,046	9,234
Segment fixed assets		
Texas, USA	99,212	81,232

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

EBITDA

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

EBITDA reconciles to operating loss as follows:

Expressed in TUSD	***2018***	***2017***
Total EBITDA	**6,022**	**1,400**
Depreciation and amortisation	-1,729	-1,296
Unrealised gain/(loss) on derivative contracts	129	-664
Operating loss	**4,422**	**-560**

Note 3 – Revenue

	Group TUSD		Parent TSEK	
	2018	***2017***	***2018***	***26 October 2016 - 31 December 2017***
Oil	7,070	4,957	-	-
Natural gas	3,773	3,547	-	-
Other income	203	730	2,202	185
	11,046	**9,234**	**2,202**	**185**

Note 4 - Production costs

	Group TUSD	
	2018	***2017***
Oil and gas production costs	5,657	4,665
Production taxes	517	405
Change in inventory position	22	-
	6,196	**5,070**

Note 5 – Administrative expenses

	Group TUSD	
	2018	**2017**
Staff costs	1,456	1,378
Change in deferred directors' remuneration provision	-301	-
Travel	103	233
Office costs	315	416
Professional costs	310	295
Corporate costs	468	280
Accounting	196	162
Reservoir engineer report	200	150
Legal	231	88
Acquisition costs	90	167
Due diligence costs	-	97
Other costs	390	50
	3,459	**3,318**

Note 6 - Remuneration of auditors

	Group TUSD		Parent TSEK	
	2018	*2017*	*2018*	*26 October 2016 - 31 December 2017*
PricewaterhouseCoopers AB				
Audit assignment	56	74	490	624
PricewaterhouseCoopers LLP				
Audit assignment	125	-	-	-
Audit services in addition to the audit assignment	-	-	-	-
Tax advisory services	-	-	-	-
Other services	-	-	-	-
			-	-
Other auditors			-	-
Audit fee	-	112	-	-
Tax advice	-	-	-	-
Other	-	20	-	-
	181	**206**	**490**	**624**

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

Note 7 – Employees

Average number of employees per country

	Group		Parent	
	2018	**2017**	**2018**	**2017**
Sweden	1	1	1	1
of which men	1	1	1	1
United States of America	24	29	-	-
of which men	19	23	-	-
United Kingdom	-	2	-	-
of which men	-	2	-	-
Total	**25**	**32**	**1**	**1**
of which men	**20**	**26**	**1**	**1**

Board members and Group management

	Group		Parent	
	2018	**2017**	**2018**	**2017**
Board of Directors	4	4	4	4
of which men	3	3	3	3
Managing Director	1	1	1	1
of which men	1	1	1	1
Senior management	4	5	2	2
of which men	3	4	2	2
Total	**9**	**10**	**7**	**7**
of which men	**7**	**8**	**6**	**6**

Salaries, other remuneration and social security costs

	2018			2017		
Expressed in TUSD	**Salaries and other remuneration**	**Medical insurance**	**Social security costs**	**Salaries and other remuneration**	**Medical insurance**	**Social security costs**
Parent company						
Sweden	40	-	-	54	-	-
Total parent company	**40**	**-**	**-**	**54**	**-**	**-**
Subsidiaries abroad						
United States of America	2,130	202	146	1,658	225	136
United Kingdom	-	-	-	-	-	-
Total subsidiaries abroad	**2,130**	**202**	**146**	**1,658**	**225**	**136**
Total Group	**2,170**	**202**	**146**	**1,712**	**225**	**136**

Salaries and other remuneration distributed between the board and other employees

Expressed in TUSD	2018			2017		
	Board	**Managing Director and other senior management**	**Other employees**	**Board**	**Managing Director and other senior management**	**Other employees**
Parent company						
Sweden	65	40	-	64	54	-
Total parent company	**65**	**40**	**-**	**64**	**54**	**-**
Subsidiaries abroad						
United States of America	-	680	1,654	-	729	1,154
United Kingdom	-	-	-	-	-	-
Total subsidiaries abroad	-	680	1,654	-	729	1,154
Total Group	**65**	**720**	**1,654**	**64**	**783**	**1,154**

Expressed in TUSD

Salaries and other remuneration for the Board members and Group management	Fixed Board remuneration/base salary	Medical insurance	Pension	Total 2018
Parent company in Sweden				
Board members				
Eric Forss[4]	25	-	-	25
Maxim Barskiy	-	-	-	-
Frank Lytle	20	-	-	20
Ekaterina Konshina[5]	20	-	-	20
Total Board members	**65**	**-**	**-**	**65**
Group management				
Other management	40	-	-	40
Group management	**40**	**-**	**-**	**40**
Subsidiaries abroad				
Group management				
Maxim Barskiy	146	23	-	169
Other management	477	21	14	511
Group management abroad	**623**	**43**	**14**	**680**
Total Group	**728**	**43**	**14**	**785**

Expressed in TUSD

Salaries and other remuneration for the Board members and Group management	Fixed Board remuneration/base salary	Medical insurance	Pension	Total 2017
Parent company in Sweden				
Board members				
Eric Forss	24	-	-	106
Maxim Barskiy	-	-	-	-
Frank Lytle	20	-	-	20
Ekaterina Konshina	20	-	-	30
Total Board members	**64**	**-**	**-**	**155**
Group management				
Other management	54	-	-	54
Group management	**54**	**-**	**-**	**54**
Subsidiaries abroad				
Group management				
Maxim Barskiy	203	25	-	228
Other management	453	48	-	501
Total Group management	**656**	**73**	**-**	**729**
Total Group	**720**	**73**	**-**	**884**

Sergey Funygin's contract has a provision that entitles him to receive TUSD 234 in an event of more than 50% ownership change. No other agreements regarding severance pay are in place.

[4] Non-board related fees paid to Mr Eric Forss are disclosed in the note 26 "Related party transactions".

[5] Non-board related fees paid to Mrs Ekaterina Konshina are disclosed in the note 26 "Related party transactions".

Note 8 - Finance costs

	Group TUSD	
	2018	***2017***
Interest expense	7,912	6,480
Foreign currency exchange loss	-	86
	7,912	**6,566**

Note 9 – Net gain/loss on derivative contracts

	Group TUSD	
	2018	***2017***
Realised gain on derivative contracts	-556	555
Unrealised loss on derivative contracts	129	-664
	-427	**-109**

Note 10 – Income Taxes

	Group TUSD		**Parent** TSEK	
	2018	***2017***	***2018***	***26 October 2016 - 31 December 2017***
Loss for the period before taxes	**-3,490**	**-7,126**	**-4,660**	**-6,666**
Tax according to national tax rates	734	1,838	1,025	1,466
Non-deductible expenses	-23	-	-556	-
Fiscal losses for which no deferred tax asset is recognised	-711	-1,838	-469	-1,466
Tax expenses for the year	**-**	**-**	**-**	**-**

As of 31 December 2018, the total fiscal deficit of the US subsidiary is estimated to approximately MUSD 67 expiring between 2033 and 2038. Realization of the Company's deferred tax assets, specifically the loss carryforwards is depend on the Company's ability to generate taxable income during the carryforward period.

There was no current or deferred tax recognized in the years ended 31 December 2018 and 2017. The operations in the US have been in deficit in both 2018 and 2017, and therefore there is no average weighted tax rate calculated.

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

Note 11 - Participations in Group companies

Parent company

Expressed in TSEK	**Share of equity, %**	**Share of votes**	**Number of shares**	**Book value as at 31 Dec 2018**
Matra Petroleum USA, Inc.	100	100	1,000	287,766
Matra Petroleum Ltd	100	100	1	0

Participations in Group companies

Expressed in TSEK	***2018***	***2017***
Opening acquisition value	**270,520**	**-**
Acquisition of shares in subsidiaries	-	236,806
Write-down of shares in Matra Ltd	-2,000	-
Capital contribution	19,246	33,714
Closing accumulated acquisition value	**287,766**	**270,520**

Shares in subsidiaries

Name of entity	**Place of business/country of incorporation**	**Ownership held by the group**		**Principal activities**
		2018	**2017**	
Matra Petroleum USA, Inc.	USA	100%	100%	Holding Company
Matra Petroleum Oil & Gas, LLC	USA	100%	100%	Owner of oil & gas properties
Matra Petroleum Operating, LLC	USA	100%	100%	Operator of oil & gas properties
Matra Petroleum Ltd	United Kingdom	100%	100%	Holding Company

Note 12 – Business combination

On 4 June 2018, Matra Petroleum AB (“Matra”) and entities controlled by Melody Capital Partners, LP (“Melody”) have executed a transaction under which Matra acquired 40 oil and gas leases in the Texas Panhandle region for consideration of MUSD 6.2, effective as of 1st April 2018. The acquisition is estimated to have increased Matra’s proved oil and gas reserves by 4 million barrels of oil equivalent. The Company accounts for the acquisition of proved leasehold interests and producing properties as business combinations as these properties generally meet the definition of a business as defined by the IFRS 3.

Purchase consideration	***TUSD***
Loan assumed	4,000
Shares in Matra AB	2,200
Assumed net debt	59
Total	**6,259**

The assets and liabilities recognised as a result of the acquisition are as follows:

Assets and liabilities recognised	***TUSD***
Oil & Gas assets	12,085
Inventories	78
Decommissioning provision	-718
Gain on bargain purchase	-5,186
Total	**6,259**

The management performed a fair value assessment of the business combination using a discounted cash flow model based on the acquired reserves, using a discount rate of 11% and NYMEX pricing. The result of this analysis is that the fair value of the acquired assets is TUSD 12,085 resulting in a gain on bargain purchase of TUSD 5,186.

Acquisition-related costs of TUSD 90 were included in administrative expenses in profit or loss.

The results of operations of the properties acquired in the Company's business acquisitions have been included in the consolidated financial statements since the closing dates of the acquisition. The acquired properties contributed revenues of TUSD 864 and a net loss of TUSD 416 to the group for the period from 4 June 2018 to 31 December 2018.

Note 13 - Other non-current assets

	Group TUSD	
Expressed in TUSD	***2018***	***2017***
Deposit to Rail Road Commission	250	250
	250	**250**

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

Note 14 - Oil and gas properties

	Group TUSD	
Expressed in TUSD	***2018***	***2017***
Opening net book amount	80,957	76,882
Additions through business combination	12,085	-
Additions	7,580	5,219
Depletion charge for the year	-1,593	-1,144
Closing net book amount	**99,029**	**80,957**
Cost at fair value	104,551	84,886
Accumulated depletion	-5,522	-3,929
Net book amount	**99,029**	**80,957**

Note 15 - Trade and other receivables

	Group TUSD		**Parent TSEK**	
	2018	***2017***	***2018***	***26 October 2016 - 31 December 2017***
Trade receivables	726	1,160	-	-
Prepayments	94	136	132	101
	820	**1,296**	**132**	**101**

The trade receivables relate mainly to hydrocarbon sales to a limited number of independent customers from whom there is no recent history of default. The trade receivables balance is current and the provision for expected credit losses is nil.

Note 16 - Cash and cash equivalents

	Group TUSD		Parent TSEK	
	2018	***2017***	***2018***	***26 October 2016 - 31 December 2017***
Cash at bank and in hand	1,155	604	249	990
	1,155	**604**	**249**	**990**

Note 17 – Shareholders's equity

Matra Petroleum AB (publ)'s registered share capital at 31 December 2018 amounts to TSEK 44,269 (TSEK 39,675) represented by 44,268,652 shares (39,675,217 shares) of nominal value SEK 1.00000002. An ordinary share entitles its holder to a dividend that is determined in due course. All shares entitle holders to voting rights at the Annual General Meeting. All shares convey equal rights to Matra Petroleum's remaining net assets.

The Company has a warrant based incentive programme for management, further information on which described in note 25. As a result there are 46,128,137 fully diluted shares (41,543,702 shares) outstanding as of 31 December 2018.

Details of movements in ordinary shares

Details	**Number of shares (thousands)**	**Par value, TUSD**	**Share Premium, TUSD**	**Total, TUSD**
Opening balance 1 January 2017	**-**	**-**	**71,931**	**71,931**
Acquisition of Matra Petroleum USA, Inc.	33,471	3,665	-3,665	-
New issue	6,204	756	4,945	5,701
Less: transaction costs arising on share issues	-	-	-1,065	-1,065
Balance 31 December 2017	**39,675**	**4,421**	**72,146**	**76,567**
New issue	4,593	525	1,675	2,200
Less: transaction costs arising on share issues	**-**	**-**	-14	-14
Balance 31 December 2018	**44,269**	**4,946**	**73,807**	**78,753**

Further details in ordinary shares movements are described in administration report section on page 11.

Note 18 – Earnings per share

Expressed in TUSD	**2018**	**2017**
Profit /(Loss) attributable to ordinary shareholders	-3,490	-7.126
	Number of Shares	**Number of Shares**
Weighted average number of shares used in the calculation of basic loss per share	42,318,015	38,908,131
Potential effect of dilutive share options	1,859,485	1,299,092
Weighted average number of shares	44,177,500	40,207,223
Loss per share, USD		
Basic and diluted loss per share, USD	-0.08	-0.18

Note 19 – Borrowings

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

As of 31 December 2018, the Group was not in full compliance with the covenants. The lenders have agreed to temporarily forbear from exercising rights and remedies available to them as a result of the existing defaults and the outstanding loans are therefore accounted for according to the payment plan as agreed on 31 December 2018.

Melody Term Loan

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

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

The Company's borrowings at 31 December 2018 and 2017 consist of the following:

	Group TUSD		**Parent TSEK**	
	2018	***2017***	***2018***	***26 October 2016 - 31 December 2017***
Non-current:				
Legacy Revolving Facility principal balance	-	19,921	-	-
Melody term loan	-	28,420	-	-
Legacy term loan	-	4,160	-	-
Finance lease	59	124	-	-
	59	**52,625**	-	-
Current:				
Melody term loan	42,674	-		
Melody term 7% loan	4,139	-		
Legacy Revolving Facility principal balance	19,956	-		
Legacy term loan	4,790	840	-	-
Finance lease	148	113	-	-
	71,706	**953**	-	-

Change in financial liabilities

	Group TUSD		Parent TSEK	
	2018	***2017***	***2018***	***2017***
Opening financial liabilities	**53,578**	**47,150**	**-**	**-**
Loan advances received	7,977	-	-	-
Loan repaid	-210	-		
Cash paid for finance costs	-44	-210	-	-
Interest expense paid	-1,303	-1,250	-	-
Changes in working capital	-37	-72	-	-
Total cash items	**6,384**	**-1,532**		
Interest expense	7,803	6,401	-	-
Loan assumption	4,000	-	-	-
Warrants conversion into loan	-	1,559	-	-
Total non-cash items	**11,803**	**7,960**	**-**	**-**
Closing financial liabilities	**71,765**	**53,578**	**-**	**-**

Note 20 - Leases

The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of three to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Company has entered into vehicle capital leases and recorded gross leased assets of TUSD 393 and capital lease obligations of TUSD 207. These leases extend over a 36-month term with expected payments as follows:

Expressed in TUSD

Year Ending 31 December,	**Annual payments**
2019	148
2020	59
	207

The Company subleases office space in Houston, Texas with the term extending through May 2021. In December 2016, the Company amended the lease agreement to defer 50% of the monthly contractual obligation during the period August 2016 through 31 May 2019, at which time the deferral amount is due in full. Deferred amounts are subject to a 1.5% interest rate per annum. At 31 December 2018, expected minimum lease payments for each of the next five years are as follows:

Expressed in TUSD

Year Ending 31 December,	**Annual payments**
2019	249
2020	118
2021	50
2022	**-**
2023	**-**
	417

Note 21 - Trade and other payables

	Group TUSD		Parent TSEK	
	2018	***2017***	***2018***	***26 October 2016 - 31 December 2017***
Trade payables	2,759	1,630	580	440
Other creditors	548	450	-	-
	3,307	**2,080**	**580**	**440**

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

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

Note 22 - Accrued liabilities

	Group TUSD		Parent TSEK	
	2018	***2017***	***2018***	***26 October 2016 - 31 December 2017***
Directors and management deferred payroll	2,476	2,777	-	-
Interest payable	111	109	-	-
Other accrued expenses	149	170	1,829	491
	2,735	**3,056**	**1,829**	**491**

Note 23 - Financial instruments by category

	Group TUSD			**Parent** TSEK		
Financial assets	**Financial assets at fair value through profit or loss**	**Financial assets at amortised cost**	**Total**	**Financial assets at fair value through profit and loss**	**Financial assets at amortised cost**	**Total**
2018						
Trade and other receivables	-	820	820	-	-	-
Receivables from Group companies	-	-	-	-	268	268
Derivative financial instruments	129	-	129	-	-	-
Cash and cash equivalents	-	1,155	1,155	-	249	249
	129	**1,975**	**2,104**	**-**	**517**	**517**
2017						
Trade and other receivables	**-**	1,296	1,296	-	-	-
Receivables from Group companies	**-**	**-**	-	-	484	484
Derivative financial instruments	-	**-**	-	-	-	-
Cash and cash equivalents	-	604	604	-	990	990
	-	**1,900**	**1,900**	**-**	**1,474**	**1,474**

Financial liabilities	Group TUSD Derivatives at fair value	Financial liabilities at amortised cost	Total	Parent TSEK Derivatives at fair value	Financial liabilities at amortised cost	Total
2018						
Borrowings (excluding liabilities attributable to financial leasing)	-	71,558	71,558			
Liabilities attributable to finance leases	-	207	207	-	-	-
Payables to Group companies	-	-	-	-	502	502
Derivative financial instruments	-	-	-	-	-	-
Trade and other payables	-	3,307	3,307	-	-	-
	-	**75,072**	**75,072**	**-**	**502**	**502**
2017						
Borrowings (excluding liabilities attributable to financial leasing)	-	53,341	53,341	-	-	-
Liabilities attributable to finance leases	-	237	237	-	-	-
Payables to Group companies	-	-	-	-	80	80
Derivative financial instruments	382	-	382	-	-	-
Trade and other payables	-	2,080	2,080	-	-	-
	382	**55,658**	**56,040**	**-**	**80**	**80**

Note 24 – Decommissioning provision

Expressed in TUSD	***2018***	***2017***
Opening balance	1,011	930
Additions	722	2
Interest expense	109	79
Closing balance	1,842	1,011
Non-current	1,842	1,011
Total	**1,842**	**1,011**

Note 25 – Incentive programme

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

On 8 February 2017, it was resolved to issue a maximum of 1,859,485 warrants in order to replace previous ownership assurances to management in Matra USA which were issued on 28 February 2017. Each warrant entitles the holder to subscribe for one (1) new share in the Company at a subscription price of SEK 1.01 per share (nominal value) during the period between 31 August 2017 and 31 January 2022. If the warrants are fully exercised it will lead to a dilution of about 4.2 percent of the share capital and votes in the Company.

No warrants were issued or exercised during the year.

Exercise price, SEK	Grant date	Outstanding at start of year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at end of year	Final exercise date	WA life of contracts, years
1.01	28/2/17	-	1,859,485	-	-	1,859,485	1/31/2022	4.5
Total 2017		**-**	**1,859,485**	**-**	**-**	**1,859,485**		
1.01	28/2/17	1,859,485	-	-	-	1,859,485	1/31/2022	4.5
Total 2018		**1,859,485**	**-**	**-**	**-**	**1,859,485**		

Note 26 – Related party transactions

In the Matra Group, Matra Petroleum AB (publ) with organizational number 559082-2689 is the parent company. In the fourth quarter 2016, Matra borrowed TUSD 100 from Almaxo Investments Ltd. The loan was repaid in full in the first quarter 2017. Key management remuneration and warrants to employees are disclosed in notes 7 and 25 accordingly.

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

Related party	Year	Purchases	Sales	Receivable	Debt
Gekkon Ltd, advice	2018	24			32
Forsinvest AB, administrative services	2018	900			1,144
Matra Petroleum USA, Inc.	2018		2,202	268	
Matra Petroleum Plc/Ltd	2018			0	

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

The transactions are priced at market conditions.

Note 27 – Pledged assets and contingent liabilities

Pledged assets

	Group TUSD		Parent TSEK	
	2018	***2017***	***2018***	***2017***
Pledged fixed assets	99,029	80,957	-	-
Pledged shares in subsidiaries	20,614	22,821	287,766	191,870
Deposition Euroclear	6	6	50	50
	119,648	**103,784**	**287,816**	**191,920**

Contingent liabilities

Guarantee commitment
The parent company has guaranteed a loan amounting to TUSD 42,674 as of 31 December 2018 (TUSD 29,381) raised by the subsidiary Matra Petroleum USA, Inc. This commitment is not expected to cause any payments.

Note 28 – Capital management

The group's objectives when managing capital are to:

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

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

Note 29 – Events after balance sheet date

In March 2018, one of Matra USA's former directors initiated an arbitration proceeding by filing an Arbitration Demand for an alleged breach of an employment agreement and Matra USA filed a counterclaim. In October 2018, the Arbitrator issued an opinion in the plaintiff's favour, which Matra USA moved to vacate in the United State Southern District court. A court hearing was held in January 2019. In February 2019, the court confirmed the Arbitration award to the former director. Matra is evaluating financing and settlement options for the award. The awarded compensation has been accrued in the financial statements.

Affirmation

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

Stockholm, 29 April 2019

Eric Forss, Chairman of the board

Frank Lytle, Director

Maxim Barskiy, CEO

Ekaterina Konshina, Director

Our auditor's report was submitted on 29 April 2019

PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Matra Petroleum AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 11-53 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Basis for Opinions

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

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

Material Uncertainty Related to Going Concern

We draw attention to the administration report in the section ”Continued operations – Going concern” where it is described that the group's liquidity is constrained and Matra Petroleum AB's U.S subsidiary has not secured refinancing or extension of loans and commitments that expire in the coming year. Secured financing is necessary to ensure that the Group has sufficient liquidity to support continued operations in 2019. As stated in the administration report, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In a situation where going concern no longer can be assumed, there is a risk of significant write-downs of the group's assets as well as the parent company's book value of receivables from subsidiaries and shares in subsidiaries.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-10. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Matra Petroleum AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Stockholm 29 April 2019

PricewaterhouseCoopers AB

Johan Rippe
Authorized Public Accountant