Crudecorp™

Interim Report 2nd Quarter 2012

Crudecorp ASA is an independent and international E&P company engaged in the acquisition, development and operation of oil and natural gas properties. Currently, the company owns a 90 % interest in the Chico Martinez oilfield in California, and is in the process of developing the reservoir located in the Etchegoin sands of this field for production. The company's goal is to significantly increase recovery and to raise production rates of old, abandoned resources, through the use of the EOR techniques.

Quarterly highlights

- **Main production facility for phase 1 and 2A (cyclic steam injection) completed.**
- **Total project cost for phase 1 and 2A of USD 28.8 mill versus a budget of USD 29.9 mill.**
- **Lease agreement for an additional 160 acre of land, adjacent to the current Chico Martinez field.**
- **Received new 3D data over the Chico Martinez property.**
- **Listed on Oslo Axess on 15 June 2012.**

Key performance measures

- **4,450 bbls sold in Q2-12 (4,293 in Q1-12).**
- **Average price achieved per barrel, net of transport cost, was $ 100.34 in Q2-12 ($ 108.67 in Q1-12).**
- **Number of wells in active production on June 30th: 19 (26 on March 31st).**
- **Productive acreage controlled by end of June: 800 Acres (640 by end of March).**

Quarterly financial highlights

(Mill USD, unaudited)

	Q2-12	Q2-11	H1- 12	H1-11
Revenues	0.328	0.108	0.662	0.308
COGS	0.388	0.129	0.289	0.289
OPEX	1.307	0.705	2.866	1.613
Operating profit	-1.367	-0.726	-2.930	-1.594
Cash flow from operations	-1.295	-0.657	-2.968	-0.919
Capital expenditure	6,219	1,421	12,453	4,222
Cash position	1,043	15,791	1,403	15,791
Book equity	33,491	27,721	33,491	27,721

Health, safety and the environment

No HSE incidents were reported in connection with operations conducted by Crudecorp during the second quarter.

Management report

- Sales volumes were slightly higher in Q2 2012 than Q1 2012, mainly as a result of more steam injection. The company injected 37,256 barrels of steam in Q2 2012 (versus 30,896 barrels of steam in Q1 2012). Construction work led to approximately five days of production shut down.
- The main production facility for phase 1 and 2A (cyclic steam injection) was completed by the end of Q2, with some minor and non-critical items left to be finalised. The start-up of the new steam generator was delayed to its original plan, due to delays in permitting process for steam injection and delays from utility company for required upgrades to gas pipeline inlet with a higher capacity gas meter. The gas meter delay was the latest issue to be resolved, and has delayed the project start-up with approximately two months. The new and significantly larger steam generator started steam production week 27.
- The construction project has been executed on plan, with the exception of steam permitting and utility supply. The original budget for phase 1 and 2A in 2011/12 (cyclic steam) was USD 29.9 mill. The project is nearly 100% complete, and so far a cost saving of USD 2.3 million has been identified. On the other hand, the company has added USD 1.2 million in non-planned activities into the project. These activities have been mainly related to various activities related to production testing, such as re-completion of wells and associated equipment for well testing. As a consequence, the project is USD 1.1 million under budget.
- A drilling rig was secured in Q2, and will commence drilling operations on 6 August.
- The company has signed a lease agreement for an additional 160 acre of land, adjacent to the current Chico Martinez field.
- The company has received correct 3D data over the Chico Martinez property. The data quality is significantly better than the previous survey conducted.
- The company listed on Oslo Axess on 15 June 2012.

Future plans and strategy

- Due to the upcoming drilling programme and the fact that the operation is still on cyclic steam, it will not be possible to run the steam generator on a continuous basis before September. However, it is expected that the company will produce significantly more oil in Q3 in spite of the on-going drilling activities.

- The company now plans to convert the existing production from cyclic steam to a steam flood, and drill an additional 26 production wells and associated steam injectors (phase 2B-4). The projected investment for this expansion is USD 33 million. With this investment, the total development will be 44 new vertical production wells and four horizontal production wells, with associated steam injection wells.

- The first interpretation of the 3D seismic gives strong indication that the Etchegoin formation (at 400-1200 feet) has a larger extent that earlier estimated. The 3D seismic also indicates an interesting opportunity in the Monterey formation (at around 6,200 feet) with potential reservoir thickness between 400 to 1,600 ft thicknesses. The company intends to drill two delineation wells in Etchegoin in H2 2012. The company has not finalised its plan to explore the Monterey prospect.

Comments to financials

- Oil sold in Q2 2012 was 4,450 bbls vs. 2,400 bbls in Q2 2011. The Company is in an investment phase and has been doing production testing. The revenue increased from USD 108' in Q2 2011 to USD 328' in Q2 2012 due to production from additional wells. Production cost, depreciation and other operating expenses increased from USD 542' in Q2 2011 to USD 1,495' in Q2 2012 as a result of increased activity and new wells completed for production. In Q2 2012 there was in addition material costs related to preparation for the listing on Oslo Axess and costs associated with arranging 3rd party financing. The salary reduction from Q2 2011 to Q2 2012 has happened as a result of an accounting change for salaries to employees in the oilfield. This cost is from 1st January 2012 charged as production costs. Including the portion or production personnel salary which was classified as production cost in H1 2012, there was an actual in-crease in salary in Q2 2012 of USD 58' over Q2 2011.

- Net financial items were net financial income of USD 909' in Q2 2011 and net financial loss of USD 2,673' in Q2 2012. The decrease in net financial result mainly is due to changes in the USD/Nok exchange rate. The functional currency in Crudecorp ASA is NOK and production rights, production assets and loan to subsidiary CMO, Inc. is in USD. As a result, a change in exchange rate will affect the net financial items in Crudecorp ASA's account and this effect will not be eliminated in the consolidated accounts.

- The balance sheet consisted of total non-current assets of USD 23,277' as per 31.12.2011 and USD 34,934' as per 30.06.2012. The increased balance is mainly due to investments for oil production (wells, water tanks, production tanks, pipelines, steam generator etc.). Increased non-current assets is specified in note 6 of the second quarter 2012 report and included USD 1,244' related to third parties' share of investment. The third parties' share of investments is in accordance with the agreement with the external owners of 10% of production rights of Chico Martinez. According to the agreement with these owners Crudecorp shall bear the first USD 20 million of the investments in the field. As of 31.12.2011 the total investment according to this agreement was approximately USD 22 million. As per second quarter 2012 the total investment was approximately USD 36 million. The owner of the last 10% of Chico Martinez is, according to the agreement, not committed to pay their share before receiving cash flow from the production in the field. As of 30.06.2012 the third parties' share of the investments was USD 1,244' and this amount was therefore recorded as long term assets.

- The bank balance decreased from USD 14,757' as per 31.12.11 to USD 1,043' as per 30.06.2012. The material decrease is due to investments in fixed assets.

Events after 30.06.2012

- Crudecorp has successfully completed a bond issue of NOK 21 million.

- Crudecorp has secured a USD 30 million credit facility from Credit Suisse to complete phase 2B, 3 and 4 (continuous steam injection for 48 producing wells). The credit facility is a USD 30 million prepaid swap, consisting of two elements. The principal USD 30 million is paid in two tranches; the first drawn in July 2012 and the second in Oct 2012 and is re-paid in monthly installments from March 2013 through December 2016 including a 5% fixed interest charge. The pre-pay facility involves monthly sales of ICE Brent Crude from March 2013 to December 2016, with a discount applied. The resulting oil price from the sale is then settled on a monthly basis towards the average spot price of ICE Brent for that month. The total forward sale accumulates to 986,000 barrels of oil. The net result of these transactions is a USD 30 million loan with monthly principal re-payments and a forward sale of 986,000 barrels of ICE Brent at USD 76,29/ bbl (which incorporates the 5 % interest charge) over the period March 2013 to December 2016.

- The remainder of the capital expenditures will be covered from existing cash on hand and earnings.

Outlook

- The Board considers the company to be in a good position for future growth. Production is commencing on the company's field Chico Martinez in the Etchegoin sands, and new 3D seismic gives hope for additional discoveries in the future within the same property. Furthermore, the Board believes that California still holds a number of opportunities both in the area of exploration and structural growth. Although the company's operation is in an area which is associated with low political risk, the Board recognizes the risk of relying solely on one oil reservoir and will work towards reducing the operational risk for this asset as well as consider opportunities for broadening the company's production portfolio. The Board believes that the strategy outlined will set the company on a course for growth and reduced risk.

— Responsibility Statement

- We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2012 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and net result as a hole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Stavanger, 7 August 2012
The board of Crudecorp ASA

Sigurd Aase Chairman of the board	Espen Fjogstad	Stig K. Herbern	Silje Veen	Sissel K. Hegdal	Gunnar Hviding CEO

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Condensed Consolidated Income Statement

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q2 12	Q2 11	1H12	1H11	2011
Revenues		327 925	108 376	644 970	303 698	732 868
Other operating income		-	-	17 276	4 255	12 261
Production costs		-387 628	-129 499	-726 700	-289 422	-311 860
Salaries		-246 938	-292 857	-595 531	-566 796	-1 537 095
Depreciation	2	-447 009	-100 105	-940 084	-369 089	-886 885
Other operating expenses		-1 060 054	-312 231	-1 330 336	-676 979	-1 690 561
Operating profit		**-1 813 704**	**-726 316**	**-2 930 405**	**-1 594 333**	**-3 681 273**
Net financial items	7	2 673 232	-909 236	139 857	-862 423	1 900 071
Profit before tax		**859 528**	**-1 635 552**	**-2 790 548**	**-2 456 756**	**-1 781 202**
Taxes		-	-			-
Net profit/(loss)		**859 528**	**-1 635 552**	**-2 790 548**	**-2 456 756**	**-1 781 202**

Consolidated Statement of Comprehensive Income

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q2 12	Q2 11	1H 12	1H 11	2011
Net profit		**859 528**	**-1 635 552**	**-2 790 548**	**-2 456 756**	**-1 781 202**
Comprehensive income items						
Translation differences		-222 199	34 403	41 424	-1 024 826	-1 651 583
Other comprehensive income, net after tax		**-222 199**	**34 403**	**41 424**	**-1 024 826**	**-1 651 583**
Total comprehensive income		**637 329**	**-1 601 149**	**-2 749 124**	**-3 481 582**	**-3 432 785**
Net profit allocated						
The shareholders of the parent		859 528	-1 635 552	-2 790 548	-2 456 756	-1 781 202
Total comprehensive income allocated						
The shareholders of the parent		637 329	-1 601 149	-2 749 124	-3 481 582	-3 432 785

Earnings per. share is calculated by dividing net profit attributable to equity shareholders of the weighted average number of ordinary shares outstanding during the period.

	Note	Q2 12	Q2 11	1H 12	1H 11	2011
Profit attributable to equity shareholders		859 528	-1 635 552	-2 790 548	-2 456 756	-1 781 202
Weighted average number of ordinary shares outstanding (in thousands)		91 152	78 087	91 151	76 004	84 511
Earnings per share		0,01	-0,02	-0,03	-0,03	-0,02
Diluted earnings per share		0,01	-0,02	-0,03	-0,03	-0,02

Consolidated Balance Sheet

Crudecorp ASA

(Unaudited figures in USD)

	Note	30.06.12	31.12.11
ASSETS			
Fixed Assets			
Fixed Assets	2	25 847 723	15 559 364
Production Rights in oil field	3	7 632 396	7 464 281
Other non-current assets	6	1 505 621	253 586
Total non-current assets		**34 985 740**	**23 277 231**
Current Assets			
Client Receivables and other receivables		986 709	686 424
Cash and cash equivalents		1 042 741	14 757 306
Total current assets		**2 029 450**	**15 443 730**
Total assets		**37 015 190**	**38 720 960**
EQUITY			
Share capital	4	304 687	304 209
Share premium	4	40 427 247	40 431 789
Retained Earnings		-7 241 136	-4 492 012
Total shareholders' equity		**33 490 798**	**36 243 986**
DEBT			
Long Term Debt			
Loan	5	1 813 219	1 674 642
Provisions for liabilities		0	
Total long term debt		**1 813 219**	**1 674 642**
Short Term Debt			
Trade and other payables		1 711 173	802 331
Taxes payable		0	0
Total short term debt		**1 711 173**	**802 331**
Total liabilites		**3 524 392**	**2 476 973**
Total equity and liabilities		**37 015 190**	**38 720 960**

Note 1 to 8 forms an integral part of the group accounts.

Consolidated Cash Flow

Crudecorp ASA

(Unaudited figures in USD)

	Note	30.06.12	30.06.11	2011
Cash flow from operating activities				
Cash flow from operations		**-2 947 687**	**-918 651**	**-960 860**
Interest paid		-20 358	-	
Taxes paid		-	-	
Net cash from operating activites		-2 968 045	-918 651	-960 860
Cash flow from investing activities				
Purchase of tangible fixed assets		-10 452 257	-3 912 915	-14 833 536
Purchase of intangible assets		-	-	
Net cash flow from investing activities		-10 452 257	-3 912 915	-14 833 536
Cash flow from financing activities				
Issue of ordinary shares			16 600 973	28 456 030
Loans to third parties		-1 244 796		
Net cash from financing activities		-1 244 796	16 600 973	28 456 030
Net change in cash, cash equivalents and bank overdrafts		**-14 665 098**	**11 769 407**	**12 661 634**
Cash, cash equivalents and bank overdrafts as of 1 January		14 757 305	3 510 943	3 510 943
Exchange rate gain-/loss on cash, cash equivalents and bank overdrafts		950 534	510 991	-1 415 272
Cash, cash equivalents and bank overdrafts at end of period		**1 042 741**	**15 791 341**	**14 757 305**

Changes in Group Equity

Crudecorp ASA

(Unaudited figures in USD)

	Note	Share Capital	Share Premium	Retained Earnings	Sum Equity
Equity 31 December 2010		**111 992**	**12 569 318**	**-1 267 723**	**11 413 587**
Bonus Issue		114 462	-114 462		-
Share Issue		43 630	17 408 377		17 452 007
Share Issue Cost			-1 158 115		-1 158 115
Result of 1H 2011		**-**	**-**	**-2 456 756**	**-2 456 756**
Comprehensive income Q1 2011				-1 024 826	-1 024 826
Translation differences equity		19 760	3 474 860		3 494 620
Equity of 30.06.2011		**289 844**	**32 179 978**	**-4 749 305**	**27 720 518**
IFRS 2 option cost			6 899		6 899
Share Issue		46 194	12 424 204		12 470 400
Share Issue Cost			-308 260		-308 260
Transfer from share premium			-1 267 723	1 267 723	-
The result of 2011 except 1H 2011				**675 554**	**675 554**
Comprehensive H2 2011				-1 685 988	-1 685 988
Translation differences equity		-31 829	-2 603 309		-2 635 138
Equity 31.12.2011		**304 209**	**40 431 789**	**-4 492 016**	**36 243 986**
Result of 1H 2012				**-2 790 548**	**-2 790 548**
Comprehensive income H1 2012				41 424	41 424
Translation differences equity		478	-4 542		-4 064
Equity of 30.06.2012		**304 687**	**40 427 247**	**-7 241 140**	**33 490 798**

Note 1 General accounting principles

Crudecorp ASA (the "Company") and its subsidiaries (together with the Company the "Group") is an international oil company. The Group owns 90 % of the working interest in the oilfield Chico Martinez in California.

Crudecorp ASA is a public limited liability company, incorporated and domiciled in Norway.

The Group prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and these financial statements have been prepared in accordance with the International Accounting Standard for Interim Financial Reporting (IAS 34). As the interim financial statements do not include the full information and disclosures as required in the annual financial statements, it should be read in connection with the Annual Financial Statements for 2011.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Annual Financial Statements for the year ended 31 December 2011.

Note 2 Fixed Assets

	30.06.12	31.12.11
Carrying value as of beginning of period	15 559 364	1 618 527
Conversion differences (Translation)	-	-
Additions	11 228 444	14 827 722
Retirement	-	-
Period's depreciation	-940 084	-886 885
Carrying value as of end of period	**25 847 723**	**15 559 364**
As of end of period		
Acquisition Cost	27 733 974	16 510 105
Accumulated depreciation	-1 886 251	-950 741
Carrying value as of end of period	**25 847 723**	**15 559 364**

Reserves and production (not audited)

Estimated total 1P reserves as of 12.31.11 is 3.35 million boe.

Total production in 2011 was 10,112 boe.

Note 3 Oil field production rights

	30.06.12	31.12.11
Carrying Value as of beginning of period	7 464 281	7 457 204
Conversion differences (Translation)	64 499	-180 723
Additions interest	103 617	187 800
Carrying value as of end of period	**7 632 396**	**7 464 281**
As of end of period		
Acquisition Cost	7 632 396	7 464 281
Cumulative depreciation and amortization		-
Carrying value as of end of period	**7 632 396**	**7 464 281**

— **Note 4** Share capital and share premium

	Number of shares (1,000s)	Share capital (NOK)	Share capital (USD)	Share premium (USD)	Total (USD)
As of 31 December 2010	65 587	655 870	111 992	12 569 318	12 681 310
Bonus issue		655 870	114 462	-114 462	-
Share issue February 2011	12 500	250 000	43 630	17 408 377	17 452 007
Translation differences			19 760	2 316 746	2 336 506
Total as of 30 June 2011	**78 087**	**1 561 740**	**289 844**	**32 179 978**	**32 469 823**
Share issue October 2011	12 859	257 175	45 477	12 332 948	12 378 426
Share issue November 2011	26	518	90	29 219	29 309
Share issue cost				-1 466 375	-1 466 375
Capital increase in connection with the exercise of options	180	3 600	627	62 037	62 663
IFRS 2 option cost				6 899	6 899
Transferred to uncovered losses				-1 267 723	-1 267 723
Translation differences			-31 830	-1 445 194	-1 477 024
Total as of 31 December 2011	**91 152**	**1 823 034**	**304 209**	**40 431 789**	**40 735 998**
Conversion differences (Translation)			478	-4 542	-4 064
Total as of 30 June 2012	**91 152**	**1 823 034**	**304 687**	**40 427 247**	**40 731 934**

— **Note 5** Loans

	30.06.12	31.12.11
Long-term debt		
Promissory notes and other loans	1 813 219	1 674 642
Short-term debt		
Promissory notes and other loans		
Total loans	**1 813 219**	**1 674 642**

Promissory note has a nominal interest rate 0% and a repayment schedule that is in step with production with installments of $2 per barrel produced in the Chico Martinez field

	Norminal value	
	30.06.12	**31.12.11**
Promissory note and other loans	1 958 179	1 975 518
Total	**1 958 179**	**1 975 518**

The carrying value of the Group's loan is in USD.

The Company has in July 2012 signed a USD 30 million crude oil prepaid swap facility with Credit Suisse. The Prepay Facility also involves a cash-settled forward swap over 986,000 barrels of crude oil spread across March 2013 - December 2016 and priced in reference to ICE Brent.
The Company has in July 2012 successfully completed a bond issue of NOK 21 million.

— **Note 6** Other non-current assets

	30.06.12	31.12.11
Warranty Bond related to production rights	260 825	253 586
Third parties' share of investment	1 244 796	
Other non-current assets	**1 505 621**	**253 586**

According to the Purchase Agreement related to 90 % of Working interest in the Chico Martinez oil field Sea Industries, Inc. and Petrov Enterprises, Inc, which owns 5 % each of the working interest in Chico Martinez, shall not be required to bear any of the first 20 Million USD in costs and expenses incurred in the development of the leases.
Third parties' share of investment is reflecting the amount due in the period.

— **Note 7** Financial income and expenses

	Q2 12	Q2 11	1H 12	1H 11	2011
Interest expense					210
Entry cost overdraft facility, miscellaneous financial expenses and commitment fee shareholder loan	24 219	1 719	60 341	2 750	
Foreign exchange losses		1 025 395		974 532	28 405
Financial expenses	**24 219**	**1 027 114**	**60 341**	**977 282**	**28 615**
Foreign exchange gain	2 687 408		144 966		1 655 024
Interest income on short-term bank deposits	10 042	117 878	55 232	114 859	273 662
Financial Income	**2 697 450**	**117 878**	**200 198**	**114 859**	**1 928 686**
Net financial expenses	**2 673 232**	**-909 236**	**139 857**	**-862 423**	**1 900 071**

Due to the fact that the parent company has NOK as functional currency, any intercompany receivables with USD entities generate foreign exchange gains and losses. These are in general offset by translation differences presented within Other Comprehensive Income.

— **Note 8** Events after balance date

There have been no subsequent events that affect the accounts.
The Company has in July 2012 signed a USD 30 million crude oil prepaid swap facility with Credit Suisse. The Prepay Facility also involves a cash-settled forward swap over 986,000 barrels of crude oil spread across March 2013 - December 2016 and priced in reference to ICE Brent.
The Company has in July 2012 successfully completed a bond issue of NOK 21 million.