Crudecorp™

Interim Report 3rd Quarter 2012

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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

- **Completed field development for phase 1 through 2B, with 4 horizontal production wells, 18 vertical production wells and 8 injection wells for continuous steam injection.**
- **On-going field development for phase 3 through 4, taking total number of wells to 4 horizontal production wells, 48 vertical production wells and 27 steam injection wells.**
- **Remaining scope for phase 3 & 4 to be completed by early May 2013.**
- **Cyclic steaming operations started in July.**
- **Continuous steam injection to start early October.**

Quarterly financial highlights

(Mill USD, unaudited)

	Q3-12	Q3-11
Oil sale (bbls)	6,043	2,093
Revenues	0.422	0.173
Operating costs	-1.259	-1.028
Other income/expenses*	-3.157	
Depreciation	-0.693	-0.152
Operating profit	-4.687	-1.007
Net cash from operating activities	-2.406	-0.904
Capital expenditure	7,920	5,246
Cash position	10,404	10,142
Book equity	29,590	25,871

** Provision of calculated loss on MTM (market to market) value on the Oil swap agreement related to the Credit Suisse facility.*

Health, safety and the environment

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

Management report

- Sales volumes were higher in Q3 2012 (6,043 bbls) than Q2 2012 (4,450 bbls) mainly as a result of more steam injection. Well tests from the first steaming cycle are encouraging, and in line with the business model communicated earlier.
- The main production facility for phase 1 and 2A (cyclic steam) was completed in Q2, and as a result, the company started cyclic steaming of production wells in July. These wells were put on production in August, contributing for the increase in production volumes.
- Required safety precautions related to drilling has in Q3 put constraints on steam injection operations. These constraints will be considerable less in Q4.
- Drilling and facilities for phase 2B (continuous steam injection) was completed in Q3. The company has initiated continuous steaming operations in early October.
- Drilling for phase 3 & 4 (an additional 30 production wells and 19 injection wells) has been ongoing in Q3 and will continue through Q4.
- The entire field development, phase 1 through 4 is on budget. The drilling operations will be completed late Q4, and a second steam generator is now planned to be operational in early Q2-2013. Remaining surface facilities including produced water handling and a 3rd steam generator will be deferred until late 2013/ early 2014.

Future plans and strategy

- The company will increase steaming operations in Q4, both continuous and cyclic steam injection. Initially, the company will steam the wells drilled in phase 1–2B (18 production wells and 8 injection wells) but as drilling operations progresses the company will gradually phase in more wells for steaming. Production levels are closely correlated to steam injection, and as a result, production is expected to increase in Q4.
- The company has interpreted 3D data over the Chico Martinez property, and concluded that there exists a significant prospect in the Monterey formation at around 6,500 feet (current producing Etchegoin formation is at 600-1,200 ft). At the moment, the company is focused on bringing the Etchegoin formation onto production and has not decided how to explore this deeper potential.

Comments to financials

- Oil sold in Q3 2012 was 6,043 bbls vs. 2,093 bbls in Q3 2011. Revenue increased in Q3 2012 to USD 422' from USD 173' in Q3 2011 due to production from additional wells. Average price achieved per barrel, net of transport cost, was USD 98,14 (USD 102,3 in Q3 2011).

  Production cost, depreciation and other operating expenses increased to USD 1,487' in Q3 2012 from USD 707' in Q3 2011 as a result of increased activity and new wells completed for production. Other operating expenses are credited with USD 458' in Q3 12 due to costs related to Bond Issue and Credit Suisse facility which is subject to amortization (accruals of the cost) over the period of the loans.

  The salary reduction from Q3 2012 to Q3 2011 is 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 of production personnel salary which was classified as production cost in Q3 2012, the Salary is USD 606'.

  Other income and expenses of USD 3,157' in Q3 2012 is due to calculated loss on MTM (market to market) value on the Oil swap agreement related to the Credit Suisse facility.
- Net financial items were negative with USD 2,558' in Q3 2012 versus positive net financial items of USD 967' in Q3 2011. The functional currency in Crudecorp ASA is NOK and production rights, production assets, intercompany loans to subsidiary CMO and Credit Suisse facility 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. Included in net financial loss for Q3 12 is foreign exchange adjustment of historic asset cost prices of approx. USD 2.5 mill.
- The balance sheet consisted of total non-current assets of USD 43,242' as per 30.09.2012 versus USD 23,277' as per 31.12.2011. The increased balance is mainly due to investments for oil production (wells, water tanks, production tanks, flowlines, steam generator etc.). Increased non-current assets is specified in note 6 of the third quarter 2012 report and included USD 1,998' 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 third quarter 2012 the total investment was approximately USD 40 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 30.09.2012 the third parties' share of the investments was USD 1,998' and this amount is therefore recorded as long term assets.
- The bank balance decreased from USD 14,757' as per 31.12.11 to USD 10,404' as per 30.09.2012.
- Loans and derivatives are specified in note 5 to the financial report of Q3 2012. Loan as per Q3 2012 consists of Bond Issue USD 3.6 million and loan from Credit Suisse USD 14.6 million as well as a non-interest bearing no maturity loan from Paladin USD 2 million (repaid with USD 2/ bbls oil produced). Derivatives (short term and long term) consist of loss on forward gas purchase of USD 51' and loss on forward oil sale of USD 3.1 million.

Events after 30.09.2012

- Commenced steam flood on 8 October.
- Crudecorp has received the entire loan amount of the USD 30 million credit facility from Credit Suisse, per 2 October.

Outlook

- The Board continues to consider the company to be in a good position for future growth. Industrial scale steam injection has commenced on the company's field Chico Martinez in the Etchegoin sands, initially with cyclic steam and later with continuous steam injection. All past experience from other fields as well as Chico Martinez show that production rates is a function of steam injection rates, and the Board therefore expect production to increase in the future. The main uncertainty, which is often field specific, is related to how rapid the production increases when steam injection is initiated. The Board will monitor the development closely to make sure the company stays on track to fulfill its obligations and generates value.

Stavanger, 23 October 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	Q3 12	Q3 11	2011
Revenues		421 664	168 524	732 868
Other operating income		-	4 273	12 261
Production costs		-661 466	-180 164	-311 860
Salaries		-465 247	-472 781	-1 537 095
Depreciation	2	-692 557	-152 311	-886 885
Other operating expenses		-132 569	-374 555	-1 690 561
Other income and expenses	5	-3 156 566	-	-
Operating profit		**-4 686 741**	**-1 007 014**	**-3 681 273**
Net financial items	7	-2 558 406	966 504	1 900 071
Profit before tax		**-7 245 147**	**-40 510**	**-1 781 202**
Taxes	9	-12 514	-	-
Net profit/(loss)		**-7 257 661**	**-40 510**	**-1 781 202**

Consolidated Statement of Comprehensive Income

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q3 12	Q3 11	2011
Net profit		**-7 257 661**	**-40 510**	**-1 781 202**
Comprehensive income items				
Translation differences		1 328 347	711 218	-1 651 583
Other comprehensive income, net after tax		**1 328 347**	**711 218**	**-1 651 583**
Total comprehensive income		**-5 929 314**	**670 708**	**-3 432 785**
Net profit allocated				
The shareholders of the parent		-7 257 661	-40 510	-1 781 202
Total comprehensive income allocated				
The shareholders of the parent		-5 929 314	670 708	-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.

	Q3 12	Q3 11	2011
Profit attributable to equity shareholders	-7 257 661	-40 510	-1 781 202
Weighted average number of ordinary shares outstanding (in thousands)	91 152	78 087	84 511
Earnings per share	-0,08	-0,00	-0,02
Diluted earnings per share	-0,08	-0,00	-0,02

Consolidated Balance Sheet

Crudecorp ASA

(Unaudited figures in USD)

	Note	30.09.12	31.12.11
ASSETS			
Fixed Assets			
Fixed Assets	2	32 945 644	15 559 364
Production Rights in oil field	3	8 036 508	7 464 281
Other non-current assets	6	2 259 575	253 586
Total non-current assets		**43 241 727**	**23 277 231**
Current Assets			
Client Receivables and other receivables		1 603 382	686 424
Cash and cash equivalents		10 403 655	14 757 306
Total current assets		**12 007 037**	**15 443 730**
Total assets		**55 248 764**	**38 720 960**
EQUITY			
Share capital	4	319 859	304 209
Share premium	4	42 440 274	40 431 789
Retained Earnings		-13 170 450	-4 492 012
Total shareholders' equity		**29 589 683**	**36 243 986**
DEBT			
Long Term Debt			
Loan	5	20 048 241	1 674 642
Derivatives	5	2 779 464	-
Total long term debt		**22 827 705**	**1 674 642**
Short Term Debt			
Trade and other payables		2 454 274	802 331
Derivatives	5	377 102	-
Total short term debt		**2 831 376**	**802 331**
Total liabilites		**25 659 081**	**2 476 973**
Total equity and liabilities		**55 248 764**	**38 720 960**

Note 1 to 9 forms an integral part of the group accounts.

Consolidated Cash Flow

Crudecorp ASA

(Unaudited figures in USD)

	Note	30.09.12	30.09.11	2011
Cash flow from operating activities				
Cash flow from operations		**-2 373 289**	**-904 233**	**-960 860**
Interest paid		-20 358	-	-
Taxes paid		-12 514	-	-
Net cash from operating activites		-2 406 161	-904 233	-960 860
Cash flow from investing activities				
Purchase of tangible fixed assets		-17 765 889	-9 187 753	-14 833 536
Loans to third parties		-1 997 511	-	-
Net cash flow from investing activities		-19 763 400	-9 187 753	-14 833 536
Cash flow from financing activities				
Issue of ordinary shares			16 600 973	28 456 030
Bond Issue		3 684 534	-	-
Credit Suisse facility		15 000 000	-	-
Net cash from financing activities		18 684 534	16 600 973	28 456 030
Net change in cash, cash equivalents and bank overdrafts		**-3 485 027**	**6 508 987**	**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		-868 623	122 432	-1 415 272
Cash, cash equivalents and bank overdrafts at end of period		**10 403 655**	**10 142 362**	**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 as per Q3 11		**-**	**-**	**-2 497 266**	**-2 497 266**
Comprehensive income as per Q3 2011		-	-	-313 608	-313 608
Translation differences equity		-2 741	976 680	-	973 939
Equity as per 30.09.2011		**267 343**	**29 681 798**	**-4 078 597**	**25 870 544**
IFRS 2 option cost		-	6 899	-	6 899
Share Issue		46 194	12 424 204	-	12 470 398
Share Issue Cost		-	-308 260	-	-308 260
Transfer from share premium		-	-1 267 723	1 267 723	-
The result of Q4 11		**-**	**-**	**716 064**	**716 064**
Comprehensive income as Q4 2011		-	-	-2 397 202	-2 397 202
Translation differences equity		-9 328	-105 129		-114 457
Equity as per 31.12.2011		**304 209**	**40 431 789**	**-4 492 012**	**36 243 986**
Result as per Q3 2012		**-**	**-**	**-10 048 209**	**-10 048 209**
Comprehensive income as per Q3 2012		-	-	1 369 771	1 369 771
Translation differences equity		15 650	2 008 485	-	2 024 135
Equity as per 30.09.2012		**319 859**	**42 440 274**	**-13 170 450**	**29 589 683**

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. Implemented in 2012 are principles regarding capitalization of interest. General and specific borrowing cost directly attributable to the acquisition, construction or producing a qualifying asset are capitalized on the assets.

Note 2 Fixed Assets

	30.09.12	31.12.11
Carrying value as of beginning of period	15 559 364	1 618 527
Conversion differences (Translation)	-	-
Additions	18 452 283	14 827 722
Capitalization of interest	562 064	-
Retirement	-	-
Period's depreciation	-1 628 067	-886 885
Carrying value as of end of period	**32 945 644**	**15 559 364**
As of end of period		
Acquisition Cost	34 962 388	16 510 105
Capitalization of interest	562 064	-
Accumulated depreciation	-2 578 808	-950 741
Carrying value as of end of period	**32 945 644**	**15 559 364**

Reserves and production (not audited)

Estimated total 1P reserves as of 31.12.11 is 3.35 million boe.

Total production in 2011 was 10,112 boe.

Note 3 Oil field production rights

	30.09.12	31.12.11
Carrying Value as of beginning of period	7 464 281	7 457 204
Conversion differences (Translation)	416 802	-180 723
Additions interest	155 425	187 800
Carrying value as of end of period	**8 036 508**	**7 464 281**
As of end of period		
Acquisition Cost	8 036 508	7 464 281
Cumulative depreciation and amortization	-	-
Carrying value as of end of period	**8 036 508**	**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	-	-	-2 741	-181 434	-184 175
Total as per 30 September 2011	**78 087**	**1 561 740**	**267 343**	**29 681 798**	**29 949 142**
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	-	-	-9 329	1 052 986	1 043 657
Total as per 31 December 2011	**91 152**	**1 823 034**	**304 209**	**40 431 789**	**40 735 998**
Conversion differences (Translation)	-	-	15 650	2 008 485	2 024 135
Total as per 30 September 2012	**91 152**	**1 823 034**	**319 859**	**42 440 274**	**42 760 133**

Note 5 Loans and Derivatives

	30.09.12	31.12.11
Long-term debt		
Loan from Paladin	1 822 828	1 674 642
Bond Issue	3 586 413	-
Credit Suisse	14 639 000	-
Derivatives	2 779 464	-
Total long-term debt	**22 827 705**	**1 674 642**
Short-term debt		
Derivatives	377 102	-
Total short-term debt	**377 102**	**-**

	Norminal value	
	30.09.12	**31.12.11**
Loan from Paladin	1 950 940	1 975 518
Bond Issue	3 684 534	-
Credit Suisse	15 000 000	-
Total	**20 635 473**	**1 975 518**

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

The loan from Paladin 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.

The Company has in July 2012 successfully completed a bond issue of NOK 21 million. The bond issue has a nominal interest rate of 3 month NIBOR + 12,5 %. Maturity date of the bond issue is 17 July 2017. The bond issue is unsecured and subordinated to the Credit Suisse facility. The Bond Issue agreement includes a call option and Crudecorp may redeem parts of the Bond Issue or the entire Bond Issue as stated in the agreement between Crudecorp ASA and Norsk Tillitsmann (on behalf of the Bondholders).

Book value of Bond Issue was USD 3.6 million and consists of principal reduced by costs and transaction fee and added with the period's amortization of costs/transaction fee. Accrued interest related to Bond Issue is USD 0.1 million as per 30 September. Interest for the first 3 month period is to be paid 16 October 2012."

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.

Book value of the Credit Suisse facility was USD 14.6 million and consists of principal reduced by costs and transaction fee. Accrued interest/margin cost on oil swap related to Credit Suisse facility is USD 0.4 million as per 30 September and is recorded as capitalization on fixed assets. Repayment of principal and interests/margin cost on oil swap will start in March 2013.

Oil sale will be treated as income as before, without any changes. The loan will be accounted for as a fixed interest loan using amortized cost method. The fixed interest will be the margin inherent in the Oil swap agreement. The sale of oil will be recognized at market price, and the change in fair value (MTM) in the Oil swap agreement will be recognized as other gain and losses in the financial statement (operating section, above EBITDA). Crudecorp treats the arrangement as one contract and then bifurcate the embedded derivative for MTM (Market to Market), leaving the host instrument for as fixed interest loan, accounted as amortized cost, where the fixed interest is the margin (incl. funding cost) of USD 15,71 on each bbl. The rest of the oils swap (MTM value) is accounted for as fair value through profit and loss on the line other gains and losses. MTM (Market to Market) value will be calculated each quarter.

As per 30.09.2012 the total loss on the oil contract was amounted to USD 3.1 million. This loss is presented as other income/expenses in the Condensed Consolidated Income Statement. The loss is included in long term derivatives amounted to USD 2.8 million and short term derivatives amounted to USD 0.3 million.

Gas purchase agreement will be treated at amortized cost, as the purchase is accounted for as own use under IAS 39 definitions. MTM (Market to Market) value is to be calculated each quarter.

As per 30.09.2012 the total loss on the gas contract was amounted to USD 51'. This loss is presented as other income/expenses in the Condensed Consolidated Income Statement and included in long term derivatives in the balance sheet.

Note 6 Other non-current assets

	30.09.12	31.12.11
Warranty Bond related to production rights	262 064	253 586
Third parties' share of investment	1 997 511	-
Other non-current assets	**2 259 575**	**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

	Q3 12	Q3 11	2011
Interest expense	-	-	210
Miscellaneous financial expenses	37 071	-	-
Foreign exchange losses	2 774 631	767 236	28 405
Financial expenses	**2 811 702**	**767 236**	**28 615**
Foreign exchange gain	249 745	1 663 256	1 655 024
Interest income on short-term bank deposits	3 551	70 484	273 662
Financial Income	**253 296**	**1 733 740**	**1 928 686**
Net financial expenses	**-2 558 406**	**966 504**	**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.

Note 9 Taxes

	Q3 12	Q3 11	2011
2011 State and Federal income taxes	12 514	-	-
Total Tax	**12 514**	**-**	**-**

Recorded tax in Q3 2012 costists of 2011 State and Federal income taxes.

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