Interim Report 4th 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

- **Initiated continuous steam injection.**
- **Completed development drilling program, taking total number of wells to 4 horizontal production wells, 48 vertical production wells and 27 steam injection wells.**
- **Drilled a successful delineation well in the Etchegoin formation. The well encountered 200 ft of oil bearing sand, which is considered good.**

Quarterly financial highlights

(Mill USD, unaudited)

	Q4-12	Q4-11
Oil sale (bbls)	13,015	3,209
Revenues	0.948	0.259
Operating costs	-1.555	-0.992
Other income/expenses*	-0.735	0
Depreciation**	-0.260	-0.365
Operating profit	-1.602	-1.098
Net cash from operating activities	0.842	-0.057
Capital expenditure	16,329	5,354
Cash position	10,876	14,757
Book equity	32,231	36,244

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

*** In Q4 12 the Company implemented a unit of production (UOP) depreciation profile on the field. This is in accordance with earlier communicated change in depreciation profile in accordance with the increase in production. The UOP are based on the definition of 1P reserve estimate. The implementation resulted in lower depreciation in Q4 12.*

Health, safety and the environment

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

Management report

- Sales volumes were higher in Q4 2012 (13,015 bbls) than Q3 2012 (6,043 bbls) as steaming operations are being ramped up.
- Production in Q4 2012 (17,091 bbls) showed a significant increase from Q3 2012 (6,422), mainly as a result of increased steam injection. Steam injection averaged 2,472 BSPD in Q4 2012, versus 1,038 BSPD in Q3 2012.
- In Q4, the steam injected was approximately 50% used for cyclic steaming (stimulation of producing wells) and 50% for continuous steam injection (stimulation of reservoir through dedicated steam injection wells). The continuous steam injection is believed to be more efficient, but takes longer time to have an effect on oil production rates. Hence, the production in Q4 was for all practical purposes related to the cyclic steam injection. In Q3, all steam injected was cyclic. The steam to oil ratio for the quarter was 13, but considering that it is only the cyclic steam which has contributed to this quarter's oil production, the underlying steam to oil ratio was 6.5. The Company finds the results from the cyclic steam injection to be very encouraging, as it confirms the reservoir's response to stimulation. The Chico Martinez field is believed to be profitable long term, even at steam to oil ratios of 13.
- Production drilling was completed 8 December 2012, which was one month ahead of the original schedule. The wells have been hooked up on an ongoing basis, and per 31.12.2012 there were eight production wells still waiting to be hooked up with flow lines.
- The Company has still had limitations to steaming operations in Q4, predominantly as a result of ongoing drilling operations and backlog of new wells to be hooked up for steaming. These restrictions will disappear during January 2013.
- The Company has interpreted 3D seismic data for 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). When the development drilling program finished ahead of schedule, the Company applied for a license to drill an exploration well into the Monterey prospect. In a last minute decision, the Department of Geology decided that the Company will have to conclude certain environmental studies before being allowed to drill this exploration well. The Company hopes to complete this study by mid Q2 2012.
- A delineation well was drilled in December. The well encountered about 200 ft of sands which contained oil, of which there were two very promising sand each of 40 ft thickness. However, the total resource base for the field will not change much as a result of this well, as the area was already classified as possible resources, but it will to some degree alter the resource classification as the surrounding area becomes proven.
- The original field development schedule has stayed on budget, experiencing some price increases but also realizing similar cost savings. However, in Q4 the Company decided to adjust the planned drilling pattern as more well data became available from the ongoing drilling operations. This decision resulted in a need for additional flow lines and group lines. A decision was also made to use multistage fracking on ten wells, as there were indications that this type of completion was more productive. As a result of these decisions, the investment budget has increased from USD 61.3 million (from Q2 presentation) to USD 64.7 million.

Future plans and strategy

- Production rates are highly correlated to the amount of steam injected. The two factors which currently limits production rates are the total amount of steam injected (in Q4, steam injected was approximately 50% of current capacity) and the time for response from the continuous injection program (the heat needs to conduct from the injection well to the production well).

- As drilling operations have ended and all wells are being hooked-up in February, the Company therefore aims to be at the full and current steam injection capacity of 5,000 barrels of steam per day in February. A second steam generator with an additional capacity of 5,000 barrels of steam per day is expected to be operational in March, four months ahead of schedule. The second steam generator will be phased in as quickly as possible.

- A major limitation to the current steam injection has been the steam injection permit, which stipulates a relatively low injection pressure. The Company has performed two initial step rate tests which show that the reservoir can take a higher injection pressure. The authorities are currently reviewing these tests and will most likely either grant a higher injection pressure to Crudecorp or stipulate additional and more extensive tests.

- The Company has seen a significant production increase in an old well, which is closer to the steam injection well than the new production wells. This indicates that the continuous steam injection is taking effect, but the Company cannot give any reliable predictions as to when there will be a significant contribution from the continuous steam injection program.

- The Company will attempt to conclude all environmental and permit work for exploration drilling of the Monterey prospect. The Company will also finish analysis (and permitting) of two additional prospects, a possible deeper Etchegoin prospect and the very deep Carneros prospect to decide if these prospects are viable for exploration drilling.

Comments to financials

- Oil sold in Q4 2012 was 13,015 bbls vs. 3,209 bbls in Q4 2011. Revenue increased in Q4 2012 to USD 948' from USD 259' in Q4 2011 due to increased steam injection and production from additional wells. Average price achieved per barrel, net of transport cost, was USD 96.28 (USD 105.85 in Q4 2011).

  Production cost, depreciation and other operating expenses increased to USD 1,319' in Q4 2012 from USD 849' in Q4 2011 as a result of increased activity including a new steam generator with increased capacity and new wells completed for production. In Q4 12 the Company implemented a unit of production (UOP) depreciation profile on the field. This is in accordance with earlier communicated change in depreciation profile in accordance with the increase in production. The UOP are based on the definition of 1P reserve estimate. The implementation resulted in lower depreciation in Q4 12.

  The salary reduction from Q4 2012 to Q4 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 Q4 2012, the Salary is USD 650'.

- Other income and expenses of USD 735' in Q4 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 991' in Q4 2012 versus positive net financial items of USD 839' in Q4 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 Q4 12 is foreign exchange adjustment of historic asset cost prices of USD 214' and interest expenses related to Credit Suisse, Bond Issue and Paladin of USD 803'.

- Deferred tax assets are recorded in the Balance Sheet from 31 December 2012 and tax income in Q4 12 is amounted to USD 2,743'. From Q4 2012 the Company has recognized deferred tax asset in the balance sheet. This is due to the progress in the construction and production from the Chicho Martinez field. The management's evaluation, based on the results from Q4 reduces the inherent risk of generating taxable income significantly, and the evaluation at this stage is that the Company is able to utilize the deferred tax asset in the future.

- The balance sheet consisted of total non-current assets of USD 63,754' as per 31.12.2012 versus USD 23,277' as per 31.12.2011. The increased balance is mainly due to recorded deferred tax assets and investments for oil production (wells, water tanks, production tanks, flowlines, steam generator etc.). Deferred tax assets are recorded in the Balance Sheet from 31 December due to decrease in uncertainty of future taxable income and are amounted to USD 2,743' as of 31 December 2012. Increased non-current assets is specified in note 6 of the fourth quarter 2012 report and included USD 4,035' 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 fourth quarter 2012 the total investment was approximately USD 63 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 31.12.2012 the third parties' share of the investments was USD 4,035' and this amount is therefore recorded as long term assets.

- The Balance Sheet reflects oil in inventory as of 31 December of USD 187' based on production costs. The bank balance decreased from USD 14,757' as per 31.12.11 to USD 10,876' as per 31.12.2012.

- Loans and derivatives are specified in note 5 to the financial report of Q4 2012. Loan as per Q4 2012 consists of Bond Issue USD 3.7 million and loan from Credit Suisse USD 29.5 million as well as a non-interest bearing no maturity loan from Paladin USD 1.8 million (repaid with USD 2/bbls oil produced). Derivatives (short term and long term) consist of loss on forward gas purchase of USD 409' and loss on forward oil sale of USD 3.5 million.

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.

Condensed Consolidated Income Statement

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q4 12	Q4 11	2011
Revenues		947 910	255 289	732 868
Other operating income		-	3 733	12 261
Production costs		-639 498	-201 404	-670 990
Salaries		-496 429	-508 866	-1 537 095
Depreciation	2	-259 976	-365 395	-886 885
Other operating expenses		-419 228	-281 969	-1 331 431
Other income and expenses	5	-734 910	-	-
Operating profit		**-1 602 131**	**-1 098 612**	**-3 681 273**
Net financial items	8	-991 192	839 040	1 900 071
Profit before tax		**-2 593 323**	**-259 572**	**-1 781 202**
Taxes	7	2 742 688	-	-
Net profit/(loss)		**149 365**	**-259 572**	**-1 781 202**

Consolidated Statement of Comprehensive Income

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q4 12	Q4 11	2011
Net profit		**149 365**	**-259 572**	**-1 781 202**
Comprehensive income items				
Translation differences		-1 219 264	-2 397 202	-1 651 583
Other comprehensive income, net after tax		**-1 219 264**	**-2 397 202**	**-1 651 583**
Total comprehensive income		**-1 069 899**	**-2 656 774**	**-3 432 785**
Net profit allocated				
The shareholders of the parent		149 365	-259 572	-1 781 202
Total comprehensive income allocated				
The shareholders of the parent		-1 069 899	-2 656 774	-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.

	Q4 12	Q4 11	2011
Profit attributable to equity shareholders	149 365	-259 572	-1 781 202
Weighted average number of ordinary shares outstanding (in thousands)	91 152	91 117	84 511
Earnings per share	0,00	-0,00	-0,02
Diluted earnings per share	0,00	-0,00	-0,02

Consolidated Balance Sheet

Crudecorp ASA

(Unaudited figures in USD)

	Note	31.12.12	31.12.11
ASSETS			
Fixed Assets			
Deffered tax assets	7	2 742 688	-
Fixed Assets	2	48 526 364	15 559 364
Production Rights in oil field	3	8 186 562	7 464 281
Other non-current assets	6	4 298 295	253 586
Total non-current assets		**63 753 909**	**23 277 231**
Current Assets			
Inventories		187 041	-
Client Receivables and other receivables		1 978 179	686 424
Cash and cash equivalents		10 875 771	14 757 306
Total current assets		**13 040 991**	**15 443 730**
Total assets		**76 794 900**	**38 720 960**
EQUITY			
Share capital	4	327 507	304 209
Share capital not registered	4	7 984	-
Share premium	4	41 673 876	40 431 789
Share premium not registered	4	2 680 984	-
Retained Earnings		-12 459 147	-4 492 012
Total shareholders' equity		**32 231 204**	**36 243 986**
DEBT			
Long Term Debt			
Loan	5	34 965 476	1 674 642
Derivatives	5	3 117 184	-
Decommissioning and Abandonment	5	718 509	-
Total long term debt		**38 801 169**	**1 674 642**
Short Term Debt			
Trade and other payables	5	4 983 230	802 331
Derivatives	5	779 296	-
Total short term debt		**5 762 526**	**802 331**
Total liabilites		**44 563 695**	**2 476 973**
Total equity and liabilities		**76 794 900**	**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	31.12.12	31.12.11
Cash flow from operating activities			
Cash flow from operations		-1 411 364	-960 860
Interest paid		-160 038	-
Taxes paid		-12 514	-
Net cash from operating activites		-1 583 915	-960 860
Cash flow from investing activities			
Purchase of tangible fixed assets		-33 058 475	-14 833 536
Loans to third parties		-4 035 000	-
Net cash flow from investing activities		-37 093 475	-14 833 536
Cash flow from financing activities			
Issue of ordinary shares		2 697 792	28 456 030
Bond Issue		3 772 636	-
Credit Suisse facility		30 000 000	-
Net cash from financing activities		36 470 428	28 456 030
Net change in cash, cash equivalents and bank overdrafts		**-2 206 963**	**12 661 634**
Cash, cash equivalents and bank overdrafts as of 1 January		14 757 305	3 510 943
Exchange rate gain-/loss on cash, cash equivalents and bank overdrafts		-1 674 632	-1 415 271
Cash, cash equivalents and bank overdrafts at end of period		**10 875 711**	**14 757 306**

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**
Capital transactions 2011		204 286	28 251 744	-	28 456 030
IFRS 2 option cost		-	6 899	-	6 899
Net profit/loss in 2011		-	-	-1 781 202	- 1 781 202
Transfer from share premium		-	- 1 267 723	1 267 723	0
Comprehensive income		-	-	- 2 710 810	- 2 710 810
Translation differences equity		-12 069	871 551	-	859 482
Equity 31 December 2011		**304 209**	**40 431 789**	**- 4 492 012**	**36 243 986**
Share Issue		7 993	2 689 799	-	2 697 792
Share Issue Cost February 2011		-	- 5 778	-	- 5 778
IFRS 2 option cost		-	1 971	-	1 971
Net profit/loss in 2012		-	-	- 9 898 844	- 9 898 844
Transfer from share premium		-	-1 781 202	1 781 202	-
Comprehensive income		-	-	150 507	150 507
Translation differences equity		23 289	3 018 281	-	3 041 570
Equity 31 December 2012		**335 491**	**44 354 860**	**- 12 459 147**	**32 231 204**

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.

Acquired and developed properties used for petroleum production are depreciated using the unit-of-production method. The rate of depreciation is equal to the ratio of oil and gas production for the period to proved and probable reserves for acquired properties, and proved developed reserves for developed properties. Any change in the reserves affecting unit of production calculations are reflected prospectively over the revised remaining proved reserves, and revised remaining proved developed reserves.

The decommissioning and abandonment liability is an estimate for costs related to future decommissioning and abandonment of oil and gas installations and equipment. The cost estimate relates to future decommissioning and abandonment and contains significant uncertainty related to timing, market prices and methods used.

In accordance with the terms of the license concessions for licenses where the Company has an ownership interest, the state of California may instruct the license holders to partly or completely remove the facilities at the end of production or when the concession period expires. Upon initial recognition of a removal liability, the Company calculates and records the net present value related to future abandonment and decommissioning. This removal liability is viewed to be a part of the total cost of the relevant property, plant and equipment and depreciated using the unit of production method.

The change in the time value (net present value) of the liability is charged as a finance cost (accretion) and increases the future liability related to abandonment and decommissioning. Any change in the best estimate related to expenditures associated with abandonment and decommissioning liabilities are accounted for prospectively. The discount rate used when calculating the net present value of the abandonment and decommissioning liability is calculated based on a risk free interest rate plus a risk premium.

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.

Implemented from Q4 2012 are principles regarding decommissioning and abandonment and depreciation using the unit-of-production method.

— **Note 2** Fixed Assets

	31.12.12	**31.12.11**
Carrying value as of beginning of period	15 559 364	1 618 527
Conversion differences (Translation)	-	-
Additions	32 745 532	14 827 722
Capitalization of interest	1 335 227	-
Decommissioning and Abandonment	718 509	-
Retirement	-	-
Depreciation Q1-Q3	-1 629 277	-521 490
Depreciation Q4	- 202 990	-365 395
Carrying value as of end of period	**48 526 364**	**15 559 364**
As of end of period		
Acquisition Cost	49 969 571	16 510 105
Capitalization of interest	1 335 227	-
Accumulated depreciation	-2 778 434	-950 741
Carrying value as of end of period	**48 526 364**	**15 559 364**

Reserves and production (not audited)

Estimated total 1P reserves as of 31.12.12 is 3.35 million boe.

Total production in 2012 was 31,894 boe.

— **Note 3** Oil field production rights

	31.12.12	**31.12.11**
Carrying Value as of beginning of period	7 464 281	7 457 204
Depreciation Q4	- 56 986	-
Conversion differences (Translation)	593 705	-180 723
Additions interest	185 562	187 800
Carrying value as of end of period	**8 186 562**	**7 464 281**
As of end of period		
Acquisition Cost	8 243 548	7 464 281
Cumulative depreciation and amortization	- 56 986	-
Carrying value as of end of period	**8 186 562**	**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)
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
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 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	-	-	-12 070	871 552	859 482
31 December 2011	**91 152**	**1 823 033**	**304 209**	**40 431 789**	**40 735 998**
Share issue November 2012*	2 222 222	44 444	7 993	2 689 799	2 697 792
Share issue cost	-	-	-	- 5 778	- 5 778
IFRS 2 option cost	-	-	-	1 971	1 971
Transferred to uncovered losses	-	-	-	- 1 781 202	- 1 781 202
Conversion differences (Translation)	-	-	23 289	3 018 281	3 041 570
31 December 2012	**2 313 374**	**1 867 477**	**335 491**	**44 354 860**	**44 690 351**

** Share issue November 2012 was registered on 4 January 2013*

— **Note 5** Loans and Derivatives

	31.12.12	31.12.11
Long-term debt		
Loan from Paladin	1 819 595	1 674 642
Bond Issue	3 675 682	-
Credit Suisse	29 470 200	-
Derivatives	3 117 184	-
Decommissioning and Abandonment	718 509	-
Total long-term debt	**38 801 169**	**1 674 642**
Short-term debt		
Trade and other payables	4 983 230	802 331
Derivatives	779 296	-
Total short-term debt	**5 762 526**	**802 331**

	Norminal value	
	31.12.12	**31.12.11**
Loan from Paladin	1 934 909	1 975 518
Bond Issue	3 772 636	-
Credit Suisse	30 000 000	-
Total	**35 707 545**	**1 975 518**

Other income and expenses

	Q4 12	Q4 11	2011
Other income and expenses			
Profit/loss on MTM value on oil and gas contract Credit Suisse	**- 734 910**	-	-
Total	**- 734 910**	**-**	**-**

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 is USD 3.8 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 31 December. Interest is to be paid every third month.

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 Credit Suisse facility was USD 29.5 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 2 million as per 31 December and is mainly booked as capitalization on fixed assets. The interest for Q4 is divided 50% as capitalization on interest and 50% as interest cost in Profit/loss. 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 31 December 2012 the total loss on the oil contract is amounted to USD 3.5 million. As per 30 September 2012 the total loss was 3.1 million and the cost for Q4 is USD 0.4 million. This loss is presented as other income/expenses in the Condensed Consolidated Income Statement and included in derivatives in the balance sheet.

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 31 December 2012 the total loss on the gas contract was amounted to USD 409'. As per 30 September 2012 the total loss was 51' and the cost for Q4 is USD 358'. This loss is presented as other income/expenses in the Condensed Consolidated Income Statement and included in derivatives in the balance sheet.

Note 6 Other non-current assets

	31.12.12	**31.12.11**
Warranty Bond related to production rights	263 295	253 586
Third parties' share of investment	4 035 000	-
Other non-current assets	**4 298 295**	**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** Income tax expense

	Q4 12	Q4 11	2011
Tax payable	0	0	0
Total tax payable	**0**	**0**	**0**
Deferred tax assets	-2 742 688	0	0
Total deferred tax	**-2 742 688**	**0**	**0**
Taxes	**-2 742 688**	**0**	**0**

From Q4 2012 the Company has recognized deferred tax asset in the balance sheet. This is due to the progress in the construction and production from the Chicho Martinez field. The management's evaluation, based on the results from Q4 reduces the inherent risk of generating taxable income significantly, and the evaluation at this stage is that the Company are able to utilize the deferred tax asset in the future.

A full tax calculation has been carried out in accordance with the accounting principles described in the annual report for 2011.

— **Note 8** Financial income and expenses

	Q4 12	Q4 11	2011
Interest expense Credit Suisse and Bond Issue*	773 163	-	210
Interest expense Paladin	30 137	-	-
Miscellaneous financial expenses	896	4 402	-
Foreign exchange losses	1 212 794	43 794	28 405
Financial expenses	**2 016 990**	**48 196**	**28 615**
Foreign exchange gain	999 248	799 662	1 655 024
Interest income on short-term bank deposits	26 550	87 574	273 662
Financial Income	**1 025 798**	**887 236**	**1 928 686**
Net financial expenses	**-991 192**	**839 040**	**1 900 071**

* Interest expense related to Credit Suisse and Bond Issue is total USD 1,546,326 for Q4 12. Interest expense from Q4 12 related to financing of assets which as per 31.12.12 is ready for "intended use" is in the Q4 financials presented as interest expense. The rest of the interest related to Credit Suisse and Bond Issue is presented as a part of fixed assets in the balance sheet and depreciated with the same depreciation profile as described in note 2.

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 9** Events after balance date

There have been no subsequent events that affect the accounts. Production Rights to the Chico Martinez oilfield in California, which is owned by Crudecorp ASA was the 8 January 2013 transferred to CMO AS. The transaction is carried out by way of contribution in kind / capital increase in CMO AS based on group continuity, ie the assets are transferred at book value. The Company received an offer of a temporary credit of NOK 15 million in Sandnes Sparebank in January 2013, but the offer has not yet been considered.

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