Interim Report 3rd Quarter 2013

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

- **Steady production increase as steam flood is starting to take effect**
- **Drilled delineation well 452, which proved up a new and productive area in the Chico Martinez Field**
- **Drilled 3 new production wells**
- **Raised additional NOK 29 million in a bond tap issue**

Quarterly financial highlights

(Mill USD, unaudited)

	Q3-13	Q3-12
Oil sale (bbls)	68 576	6 043
Revenues	5,133	0,422
Operating costs	-4,451	-1,259
Other income/expenses*	-3,608	-3,157
Depreciation**	-1,703	-0,693
Operating profit	-4,629	-4,687
Net financial items	-1,799	-1,928
Taxes	1,414	-0,012
Net profit (-loss)	-5,013	-6,627
Net cash from operating activities	-2,033	0,562
Capital expeditures	3,960	7,314
Cash position (as per 30.09)	8,046	10,404
Book equity (as per 30.09)	32,705	29,590

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

*** From 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.*

Health, safety and the environment

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

Management report

- Sales volume was 68,576 bbls in Q3 2013, (41,130 bbls in Q2 2013).
- Production in Q3 2013 (71,727 bbls) showed an increase from Q2 2013 (40,768), mainly as a result of increased steam injection. Steam injection averaged 8,397 BSPD in Q3 2013, versus 6,551 BSPD in Q2 2013.
- The current field development is designed for injection of 15,000 barrels of steam per day (BSPD). From 1 October 2012 to 30 September 2013, the company has injected on average 5,260 BSPD with 8,397 BSPD in Q3. Typically, it is expected that a steam flood requires 2-3 years of steam injection to take full effect. The current steam flood is mainly targeting 2 out of 5 reservoir sands. The initial production response is believed to have come from the upper reservoir sand which generally has high permeability. Increased production response in Q3 from some of the wells in the field is best explained by that the lower reservoir sand with generally lower permeability is now starting to respond.
- The field is completed with 33 open hole gravel pack wells and 13 cased hole frac pack wells. Both completion types are common in this type of steam flood project. The reason for using 2 different completion types was to test if a more expensive frac pack completion would give higher production. On average in September, a gravel pack well with full construction cost of USD 300,000 gave approximately 22 BOPD/well and a frac pack well with full completion cost of approximately USD 600,000 per well gave approximately 5 BOPD/well on average. The lack of frac pack well performance is the main reason for a production rate which is below the Company's own expectations, and the Company is working on remedial issues. The frac pack wells are believed to cover approximately 8% of the STOIIP in the field.
- Steam capacity utilisation was around 90% in Q3 of an effective capacity of around 9,400 BSPD. The Initial development (Phase 1-4) is in an area where there has been drilled wells before, and hence the existing and low reservoir pressure is believed to have been depleted. A clear effect of steam pressure can now be observed on production rates, in addition to the heat effect, and steam utilisation going forward is therefore very important for production rates.
- The Company drilled 3 production wells in a steaming pattern adjacent to well 463, the appraisal well which was drilled December 2012 and production tested in the spring of 2013. The appraisal well was cased hole frac pack completed, whilst the 3 new wells were open hole gravel pack completed. The Company has decided to not finish the construction and put the wells in production before the Company has strengthened its financial position. The cost of completing the project is estimated to USD 1.3 million.
- The Company is nearing completion of its environmental survey for the Monterey prospect.
- Unfortunately, there have been serious operational incidents on site, among them a critical breakdown of one steam generator due to the lack of a maintenance program of critical parts. The result has been loss of steam pressure and reduced production.

- The board is also very unsatisfied with the completion of 13 cased hole frac pack wells. The completion was made at a cost far exceeding the approved cost frame, and later investigations have showed lack of cost control. Secondly, upon completion the frac pack wells have showed lack of performance indicating that the decision of a frac pack completion probably was a mistake in the first place.

- Hence, the company is not satisfied with current operations and will commence with the following actions to enhance control of surface operations: Develop and implement a total quality management program including surveillance and maintenance programs for steam generators, pipings, pumps and other production equipment to ensure steady production. All future critical decisions involving production, completion of wells etc. will be made subject to second opinion from experienced resources. Improve current work flows for support functions in procurement and cost control. Seek to improve the current water treatment for steam purposes (before/after steaming).

Future plans and strategy

- The Company's short term focus will be to optimise the current development, as the steam flood project is believed to take 2-3 years to take full effect. The most important projects will be to find a solution to the lack of performance from the cased hole frac pack wells, hook up wells in the 463 area, cost optimisation and strengthening of operational procedures.

- The Company has interesting prospects in the deeper horizons of the field. The Company is currently working on meeting all environmental requirements for a drilling permit, and will decide on a strategy for further exploration drilling when the drilling permits are obtained.

Comments to financials

- Oil sold in Q3 2013 was 68,576 bbls vs. 6,043 bbls in Q3 2012. Revenue increased in Q3 2013 to USD 5,133' from USD 422' in Q3 2012 due to increased steam injection and production from additional wells. Average price achieved per barrel, net of transport cost, was USD 101.37 (USD 98.14 in Q3 2012).

  Production cost, salaries, depreciation and other operating expenses increased to USD 6,153' in Q3 2013 from USD 1,952' in Q3 2012. The increase in production cost isolated is USD 2,989'. The increase in costs resulting from increased activity including a new steam generator with increased capacity and new wells completed for production and change in accounting principles, see note 9. From 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.

- Other income and expenses of USD 3,608' in Q3 2013 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 1,799' in Q3 2013 versus USD 1,928' in Q3 2012. 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 income for Q3 13 is foreign exchange adjustment of historic asset cost prices of USD 163' and interest expenses related to Credit Suisse, Bond Issue and Paladin of USD 1,636'.

- Deferred tax assets are recorded in the Balance Sheet from 31 December 2012 and tax in Q3 13 is amounted to USD 1,122' based on effective tax rate in 2012. Net deferred tax assets as per 30.09.2013 were USD 2,665'.

- The balance sheet consisted of total non-current assets of USD 70,622' as per 30 September 2013 versus USD 43,242' as per 30 September 2012. The increased balance is due to recorded deferred tax assets, investments for oil production (wells, water tanks, production tanks, flow lines, steam generator etc.) and increase in other non-current assets. 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 2,665' as of 30 September 2013. Increased non-current assets is specified in note six of the second quarter 2013 report and included USD 4,907' 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. 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.

- The Balance Sheet reflects oil in inventory as of 30 September 2013 of USD 193' based on production costs. Trade receivables and other receivables increased to USD 2,753' as of 30 September 2013 from USD 1,603' as of 30 Sept 2012. The bank balance decreased from USD 10,404' as per 30 September 2012 to USD 8,046' as per 30 September 2013.

- Loans and derivatives are specified in note five to the financial report of Q3 2013. Loan as per 30 September 2013 consists of Bond Issue USD 8.1 million and loan from Credit Suisse USD 26.4 million as well as a non-interest bearing no maturity loan from Paladin USD 1.7 million (repaid with USD 2/bbls oil produced). Derivatives (short term and long term) consist of loss on forward gas purchase of USD 0.9 million and loss on forward oil sale of USD 3.5 million. Increase of the existing Bond Issue of NOK 29 million was completed in September 2013.

- The Company is at risk of a breach of financial covenants on the Credit Suisse facility of USD 26.4 million as of December 31st 2013. Hence, the board will consider both short and long term capitalization requirements to secure compliance with such covenants. As part of this work, the board is estimating the capital requirements with the objective to raise additional financing to support its business plan, operations and prospects.

Outlook

- The Board considers the outlook for the Company as satisfactory. The Etchegoin formation has shown to be productive through the performance of the open hole gravel pack wells. The Board consider that resolving operational issues as the most important contribution going forward in the short term, hereunder resolving underperformance on the cased hole frac pack wells, hook up the wells in the 463 area and strengthening of operational procedures and practices on the field. In the long term, the Board considers that exploring the deeper horizons of the field as a possible way of creating additional value.

Condensed Consolidated Income Statement

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q3 13	Q3 12	YTD 13	2012
Revenues		5 133 488	421 664	10 092 953	2 015 715
Other operating income		0	-	-	17 179
Production costs	9	-3 650 770	-661 466	-8 207 914	-2 027 664
Salaries		-436 479	-465 247	-1 431 753	-1 537 367
Depreciation	2	-1 703 286	-692 557	-3 323 628	-1 889 253
Other operating expenses		-363 316	-132 569	-1 147 359	-1 881 755
Other income and expenses	5	-3 608 267	-3 156 566	-506 207	-3 798 231
				-	
Operating profit		**-4 628 630**	**-4 686 741**	**-4 523 908**	**-9 101 376**
Net financial items	7	-1 798 890	-1 927 898	-1 457 019	-3 404 862
Profit before tax		**-6 427 520**	**-6 614 639**	**-5 980 927**	**-12 506 238**
Taxes		1 414 054	-12 514	124 110	2 730 173
Net profit/(loss)		**-5 013 466**	**-6 627 153**	**-5 856 818**	**-9 776 065**

Consolidated Statement of Comprehensive Income

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q3 13	Q3 12	YTD 13	2012
Net profit		**-5 013 466**	**-6 627 153**	**-5 856 818**	**-9 776 065**
Comprehensive income items					
Translation differences		119 767	1 328 347	-1 944 186	3 069 299
Other comprehensive income, net after tax		**119 767**	**1 328 347**	**-1 944 186**	**3 069 299**
Total comprehensive income		**-4 893 699**	**-5 298 806**	**-7 801 004**	**-6 706 766**
Net profit allocated					
The shareholders of the parent		-5 013 466	-6 627 153	-5 856 818	-9 776 065
Total comprehensive income allocated					
The shareholders of the parent		-4 893 699	-5 298 806	-7 801 004	-6 706 766

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 13	Q3 12	YTD 13	2012
Profit attributable to equity shareholders	-5 013 466	-6 627 153	-5 856 818	-9 776 065
Weighted average number of ordinary shares outstanding (in thousands)	103 724	91 152	100 391	91 152
Earnings per share	-0,05	-0,07	-0,06	-0,11
Diluted earnings per share	-0,05	-0,07	-0,06	-0,11

Consolidated Balance Sheet

Crudecorp ASA

(Unaudited figures in USD)

	Note	30.09.13	30.09.12	31.12.12
ASSETS				
Non-current assets				
Deferred tax assets		2 665 162	0	2 742 688
Fixed Assets	2	55 604 958	32 945 644	48 526 364
Working Interest Chico Martinez	3	7 180 069	8 036 508	8 186 562
Other non-current assets	6	5 171 448	2 259 575	4 298 295
Total non-current assets		**70 621 637**	**43 241 727**	**63 753 909**
Current Assets				
Inventories		192 767	0	187 041
Trade Receivables and other receivables	9	2 753 351	1 603 382	1 020 612
Cash and cash equivalents		8 045 790	10 403 655	10 875 771
Total current assets		**10 991 908**	**12 007 037**	**12 083 424**
Total assets		**81 613 545**	**55 248 764**	**75 837 332**
	Note	**30.09.13**	**30.09.12**	**31.12.12**
EQUITY				
Equity attributable to parent company shareholders				
Share capital	4	345 280	319 859	335 379
Share premium	4	53 647 323	42 440 274	44 424 786
Retained Earnings		-21 287 531	-13 170 450	-13 486 527
Total shareholders' equity		**32 705 072**	**29 589 683**	**31 273 637**
LIABILITIES				
Long Term Liabilities				
Loan	5	36 220 079	20 048 241	34 965 476
Derivatives	5	3 102 504	2 779 464	3 117 184
Decommissioning and Abandonment	5	718 509	0	718 509
Total long term liabilities		**40 041 092**	**22 827 705**	**38 801 169**
Short Term dept				
Trade and other payables	5	7 582 407	2 454 274	4 983 230
Derivatives	5	1 284 974	377 102	779 296
Total short term dept		**8 867 381**	**2 831 376**	**5 762 526**
Total liabilites		**48 908 473**	**25 659 081**	**44 563 695**
Total equity and liabilities		**81 613 545**	**55 248 764**	**75 837 332**

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

Consolidated Cash Flow

Crudecorp ASA

(Unaudited figures in USD)

	Note	30.09.13	30.09.12	31.12.12
Cash flow from operating activities				
Cash flow from operations		1 816 660	-2 373 289	-881 564
Interest paid		-3 849 491	-20 358	-160 038
Taxes paid		-	-12 514	-12 514
Net cash from operating activites		-2 032 831	-2 406 161	-1 054 116
Cash flow from investing activities				
Purchase of tangible fixed assets		-10 813 230	-17 765 889	-33 058 475
Loans to third parties		-964 795	-1 997 511	-4 035 000
Net cash flow from investing activities		-11 778 025	-19 763 400	-37 093 475
Cash flow from financing activities				
Issue of ordinary shares		11 536 303	-	2 697 792
Bond Issue		4 834 943	3 684 534	3 772 636
Credit Suisse facility		-3 600 000	15 000 000	29 470 200
Net cash from financing activities		12 771 246	18 684 534	35 940 628
Net change in cash, cash equivalents and bank overdrafts		**-1 039 610**	**-3 485 027**	**-2 206 963**
Cash, cash equivalents and bank overdrafts as of 1 January		10 875 711	14 757 305	14 757 306
Exchange rate gain-/loss on cash, cash equivalents and bank overdrafts		-1 790 311	-868 623	-1 674 632
Cash, cash equivalents and bank overdrafts at end of period		**8 045 790**	**10 403 655**	**10 875 711**

Changes in Group Equity

Crudecorp ASA

(Unaudited figures in USD)

	Note	Share Capital	Share Premium	Retained Earnings	Total Equity
Equity 31 December 2011		**304 209**	**40 431 789**	**-4 492 012**	**36 243 986**
Share issue		7 993	2 689 799	0	2 697 792
Share Issue Cost		0	-5 778	0	-5 778
IFRS 2 option cost		0	1 971	0	1 971
Net profit/loss in 2012		0	0	-9 776 065	-9 776 065
Transfer from share premium		0	-1 781 202	1 781 202	0
Comprehensive income		0	0	-42 085	-42 085
Change in accounting principle (note 9)				-957 568	-957 568
Translation differences equity		23 177	3 088 207		3 111 384
Equity 31 December 2012		**335 379**	**44 424 786**	**-13 486 528**	**31 273 636**
Share issue		35 984	11 500 319		11 536 303
Share Issue Cost		0	-112 307	0	-112 307
Net profit (loss) in H1 13		0	0	-843 352	-843 352
Net profit (loss) in Q3 13		0	0	-5 013 466	-5 013 466
Comprehensive income		0	0	-1 944 186	-1 944 186
Translation differences equity		-26 083	-2 165 475		-2 191 558
Equity 30 September 2013		**345 280**	**53 647 323**	**-21 287 531**	**32 705 071**

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 2012.

Tax in Q3 2013 is calculated based on the effective tax rate for 2012.

— Note 2 Fixed Assets

	30.09.13	30.09.12	31.12.12
Carrying value as of beginning of period	48 526 364	15 559 364	15 559 364
Conversion differences (Translation)	0	4 574	0
Additions	10 033 403	18 452 283	32 745 532
Capitalization of interest	0	562 064	1 335 227
Decommissioning and Abandonment	0	0	718 509
Retirement	0	0	0
Depreciation Q1-Q2	-1 450 877	-940 084	0
Depreciation Q3	-1 503 932	-692 557	0
Depreciation 2012			-1 832 267
Carrying value as of end of period	**55 604 958**	**32 945 644**	**48 526 364**
As of end of period			
Acquisition Cost	60 002 975	34 962 388	49 969 571
Capitalization of interest	1 335 227	562 064	1 335 227
Accumulated depreciation	-5 733 244	-2 578 808	-2 778 434
Carrying value as of end of period	**55 604 958**	**32 945 644**	**48 526 364**

Reserves and production (not audited)

Estimated total P90 reserves as of 31.12.12 is 2.75 million boe (net Crudecorp).

Total production in Q3 2013 was 71,727 boe.

— Note 3 Oil field production rights

	30.09.13	30.09.12	31.12.12
Carrying Value as of beginning of period	8 186 562	7 464 281	7 464 281
Depreciation Q1-Q2	-192 775	0	0
Depreciation Q3	-199 354	0	0
Depreciation 2012	0	0	-56 986
Conversion differences (Translation)	-614 364	416 802	593 705
Additions interest	0	155 425	185 562
Carrying value as of end of period	**7 180 069**	**8 036 508**	**8 186 562**
As of end of period			
Acquisition Cost	7 629 184	8 036 508	8 243 548
Cumulative depreciation and amortization	-449 115	0	-56 986
Carrying value as of end of period	**7 180 069**	**8 036 508**	**8 186 562**

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

	Number of shares (1,000s)	Share capital (NOK)	Share capital (USD)	Share premium (USD)	Total (USD)
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**
Share issue November 2012*	2 222	44 444	7 993	2 689 799	2 697 792
Share issue cost	0	0	0	-5 778	-5 778
IFRS 2 option cost	0	0	0	1 971	1 971
Transferred to uncovered losses	0	0	0	-1 781 202	-1 781 202
Conversion differences (Translation)	0	0	22 811	3 022 823	3 045 634
Total as of 31 December 2012	**93 374**	**1 867 478**	**335 491**	**44 354 860**	**44 690 351**
Share issue January 2013	350	7 000	1 228	413 151	414 379
Share issue cost April 2013	10 000	200 000	34 756	11 087 168	11 121 924
Share issue cost				-112 307	-112 307
Conversion differences (Translation)			-26 195	-2 095 549	-2 121 744
Total as of 30 September 2013	**103 724**	**2 074 478**	**345 280**	**53 647 323**	**53 992 603**

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

— **Note 5** Loans and Derivatives

	30.09.13	30.09.12	31.12.12
Long-term debt			
Loan from Paladin	1 702 648	1 822 828	1 819 595
Bond Issue	8 097 231	3 586 413	3 675 682
Credit Suisse	26 420 200	14 639 000	29 470 200
Derivatives	3 102 504	2 779 464	3 117 184
Decommissioning and Abandonment	718 509	0	718 509
Total long-term debt	**40 041 092**	**22 827 705**	**38 801 169**
Short-term debt			
Trade and other payables	7 582 407	2 454 274	4 983 230
Derivatives	1 284 974	377 102	779 296
Total short-term debt	**8 867 381**	**2 831 376**	**5 762 526**

	Nominal value		
	30.09.13	30.09.12	31.12.12
Loan from Paladin	1 817 962	1 950 940	1 934 909
Bond Issue	8 322 099	3 684 534	3 772 636
Credit Suisse	26 950 000	15 000 000	30 000 000
Total	**37 090 061**	**20 635 474**	**35 707 545**

Other income and expenses

	Q3 13	Q3 12	2012
Other income and expenses			
Profit/loss on MTM value on oil and gas contract Credit Suisse	**-3 608 267**	-3 156 566	-3 798 231
Total	**-3 608 267**	**-3 156 566**	**-3 798 231**

The carrying value of the Bond Issue is in NOK. Remaining 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. This bond issue was in September 2013 increased to NOK 50 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 8.1 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 1.5 million as per 30 September. 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 28.1 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 3.4 million as per 30 June and is mainly booked as capitalization on fixed assets. Repayment of principal and interests/margin cost on oil swap started in April 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 September 2013 the total loss on the oil contract is amounted to USD 3.5 million. As per 30 June 2013 the total loss was 0.1 million resulting in a cost related to the oil contract for Q3 13 of USD 3.4 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 30 September 2013 there was a total loss on the gas contract amounted to USD 0.1 million. As per 30 June 2013 the total loss was USD 0.6 million and the loss for Q3 13 is USD 0.3 million. This loss is presented as other income/expenses in the Condensed Consolidated Income Statement and included in derivatives in the balance sheet.

The table below anlyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:
Level 1: Quoted prices (unadjusted) in active markrets for identical assets or liabilities
Level 2: Inputs other than quotes prices included within Level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived prom prices)
Level 3: inputs for the assets or liability that are not based on observable market data (that is, unobseervable inputs)

30 September 2013	Level 1	Level 2	Level 3	Total
Assets				
Financial derivatives	-	-	-	.
Liabilities				
Financial derivatives	-	4 387 478	-	**4 387 478**

2012	Level 1	Level 2	Level 3	Total
Assets				
Financial derivatives	-	-	-	.
Liabilities				
Financial derivatives	-	3 896 480	-	**3 896 480**

Note 6 Other non-current assets

	30.09.13	30.09.12	31.12.12
Warranty Bond related to production rights	264 137	262 064	263 295
Third parties' share of investment	4 907 311	1 997 511	4 035 000
Other non-current assets	**5 171 448**	**2 259 575**	**4 298 295**

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

	3Q 13	3Q 12	YTD 13	2012
Interest expense Credit Suisse and Bond Issue*	1 635 639		4 896 087	737 474
Interest expense other				32 472
Miscellaneous financial expenses		37 071		96 891
Foreign exchange losses	163 251	2 144 123		4 095 311
Financial expenses	**1 798 890**	**2 181 194**	**4 869 087**	**4 962 148**
Foreign exchange gain		249 745	3 382 522	1 473 566
Interest income on short-term bank deposits		3 551	29 546	83 720
Financial Income	**-**	**253 296**	**3 412 068**	**1 557 286**
Net financial expenses	**-1 798 890**	**-1 927 898**	**-1 457 019**	**-3 404 862**

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

The Company announced on 28 October 2013 that Geir Utne Berg has been appointed as the new CEO from 1 December 2013. There have been no other subsequent events that effects the accounts.

Note 9 Change in accounting principles

The company has previously applied an accounting principle of deferring certain incurred steam related expenses. This accounting principle is changed from Q3 2013 and the expense steam cost will be charged against profit and loss on an ongoing basis.
This change in accounting principle results in a negative charge of MUSD 3.0 year to date Q3 2013, and an accumulated negative effect in equity by 30.09.2013 of MUSD 3.9. This balance includes previously purchased natural gas, water, water treatment, water transportation as well as other costs related to steam generation and rig work for preparing wells for steam/production.

Reduction in equity as per 01.01.2013 is USD 957,567. Increase in steam expenses is in Q1 2013 USD 517,003, increase in Q2 2013 is USD 1,123,295 and increase in Q3 2013 is USD 1,327,808.

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