



Interim Report 4th 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

- **Measures to increase production initiated**
- **Completed a share issue of USD 19.4 million (NOK 118 million)**
- **Ymir exceeded the 50% mandatory offer threshold**

– Quarterly financial highlights

(Mill USD, unaudited)

	Q4-13	Q4-12
Oil sale (bbls)	64,356	13,164
Revenues	4,441	948
Operating costs	-4,086	-1,555
Other income/expenses*	-5,051	-735
Depreciation**	-1,878	-260
Operating profit	-6,574	-1,602
Net financial items	-828	-991
Taxes	-550	2,743
Net profit (-loss)	-7,952	149
Cash position (as per 31.12)	21,869	10,876
Book equity (as per 31.12)	43,159	31,274

* Provision of calculated reversal of previous loss on MTM (market to market) value on the Oil swap agreement related to the Credit Suisse facility and realized cost in the quarter related to the oil and gas swap.

** 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 fourth quarter.

– Management report

- Sales volume was 64,356 bbls in Q4 2013, (68,576 bbls in Q3 2013).
- Production in Q4 2013 (65,127 bbls) showed a decrease from Q3 2013 (71,727), mainly as a result of a decrease in steam injected during the quarter. Steam injection averaged 8,172 BSPD in Q4 2013, versus 8,397 BSPD in Q3 2013.
- 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 Company started the drilling of two production wells in a steaming pattern adjacent to well 463 and 473 and two injectors in the same pattern in 4Q 2013.

– 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, cost optimisation and strengthening of operational procedures.
- After the expiration of the mandatory offer period on 18 February 2014 and following the completion of the offer, Ymir and closely related parties will own 123.144.500 shares in Crudecorp representing 98,3% of the share capital.

– 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.

— Condensed Consolidated Income Statement

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q4 13	Q4 12	2013	2012
Revenues		4 441 409	947 910	14 569 048	2 015 715
Other operating income		0	-	-	17 179
Production costs	9	-3 329 203	-639 498	-11 606 097	-2 027 664
Salaries		-441 648	-496 429	-1 884 172	-1 537 367
Depreciation	2	-1 949 828	-259 976	-5 296 766	-1 889 253
Other operating expenses		-315 331	-419 228	-1 468 945	-1 881 755
Other income and expenses	5	-5 050 583	-734 910	-5 855 152	-3 798 231
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Operating profit		-6 645 184	-1 602 131	-11 542 084	-9 101 376
Net financial items	7	-828 084	-991 192	-2 291 683	-3 404 862
Profit before tax		-7 473 269	-2 593 323	-13 833 768	-12 506 238
Taxes	10	-550 163	2 742 688	-133 936	2 730 173
Net profit/(loss)		-8 023 432	149 365	-13 967 704	-9 776 065

— Consolidated Statement of Comprehensive Income

Crudecorp ASA

(Unaudited figures in USD)

	Note	Q4 13	Q4 12	2013	2012
Net profit		-8 023 432	149 365	-13 967 704	-9 776 065
Comprehensive income items					
Translation differences		282 617	-1 219 264	-1 661 569	3 069 299
Other comprehensive income, net after tax		282 617	-1 219 264	-1 661 569	3 069 299
Total comprehensive income		-7 740 815	-1 069 899	-15 629 273	-6 706 766
Net profit allocated					
The shareholders of the parent		-8 023 432	149 365	-13 967 704	-9 776 065
Total comprehensive income allocated					
The shareholders of the parent		-7 740 815	-1 069 899	-15 629 273	-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.

	Q4 13	Q4 12	2013	2012
Profit attributable to equity shareholders	-8 023 432	149 365	-13 967 704	-9 776 065
Weighted average number of ordinary shares outstanding (in thousands)	110 917	91 152	103 022	91 152
Earnings per share	-0,07	0,00	-0,14	-0,11
Diluted earnings per share	-0,07	0,00	-0,14	-0,11

— Consolidated Balance Sheet

Crudecorp ASA

(Unaudited figures in USD)

	Note	31.12.13	31.12.12
ASSETS			
Non-current assets			
Deferred tax assets	10	2 392 273	2 742 688
Fixed Assets	2	54 710 527	48 526 364
Working Interest Chico Martinez	3	7 000 311	8 186 562
Other non-current assets	6	5 240 279	4 298 295
Total non-current assets		69 343 390	63 753 909
Current Assets			
Inventories		276 945	187 041
Trade Receivables and other receivables	9	1 746 440	1 020 612
Cash and cash equivalents		21 869 071	10 875 771
Total current assets		23 892 456	12 083 424
Total assets		93 235 846	75 837 332
	Note	31.12.13	31.12.12
EQUITY			
Equity attributable to parent company shareholders			
Share capital	4	411 802	335 379
Share premium	4	71 791 430	44 424 786
Retained Earnings		-29 115 800	-13 486 527
Total shareholders' equity		43 087 432	31 273 637
LIABILITIES			
Long Term Liabilities			
Loan	5	34 474 196	34 965 476
Derivatives	5	4 861 606	3 117 184
Decommissioning and Abandonment	5	1 280 859	718 509
Total long term liabilities		40 616 661	38 801 169
Short Term dept			
Trade and other payables	5	7 195 432	4 983 230
Derivatives	5	2 336 320	779 296
Total short term dept		9 531 752	5 762 526
Total liabilities		50 148 413	44 563 695
Total equity and liabilities		93 235 846	75 837 332

Note 1 to 10 forms an integral part of the group accounts.

— **Consolidated Cash Flow**

Crudecorp ASA

(Unaudited figures in USD)

	Note	31.12.13	31.12.12
Cash flow from operating activities			
Cash flow from operations		236 703	-881 564
Interest paid		-5 651 405	-160 038
Taxes paid		-1 224	-12 514
Net cash from operating activities		-5 415 926	-1 054 116
Cash flow from investing activities			
Purchase of tangible fixed assets		-10 382 616	-33 058 475
Loans to third parties		-878 048	-4 035 000
Net cash flow from investing activities		-11 260 664	-37 093 475
Cash flow from financing activities			
Issue of ordinary shares		30 310 166	2 697 792
Bond Issue		4 834 943	3 772 636
Credit Suisse facility		-4 700 000	29 470 200
Net cash from financing activities		30 445 109	35 940 628
Net change in cash, cash equivalents and bank overdrafts		13 768 518	-2 206 963
Cash, cash equivalents and bank overdrafts as of 1 January		10 875 711	14 757 306
Exchange rate gain-/loss on cash, cash equivalents and bank overdrafts		-2 775 158	-1 674 632
Cash, cash equivalents and bank overdrafts at end of period		21 869 071	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		2 697 792
Share Issue Cost			-5 778		-5 778
IFRS 2 option cost			1 971		1 971
Net profit/loss in 2012				-9 776 065	-9 776 065
Transfer from share premium			-1 781 202	1 781 202	
Comprehensive income				-42 084	-42 084
Change in accounting principle (note9)				-957 568	-957 568
Translation differences equity		23 177	3 088 207		3 111 384
Equity 31 December 2012		335 379	44 424 786	-13 486 527	31 273 637
Repair issue February		1 228	413 151		414 379
Share issue April		34 756	11 087 168		11 121 924
Share Issue Cost			-112 307		-112 307
Capital increase options		132	13 023		13 155
Share issue December		70 681	19 366 504		19 437 185
Share issue cost December			-564 169		-564 169
Net profit (loss) in Q1 - Q3 13				-5 944 272	-5 944 272
Net profit (loss) in Q4 13				-8 023 432	-8 023 432
Comprehensive income				-1 661 569	-1 661 569
Translation differences equity		-30 373	-2 836 726		-2 867 099
Equity 31 December 2013		411 802	71 791 430	-29 115 800	43 087 431

— 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.

— **Note 2 Fixed Assets**

	31.12.13	31.12.12
Carrying value as of beginning of period	48 526 364	15 559 364
Conversion differences (Translation)		
Additions	10 382 616	32 745 532
Capitalization of interest		1 335 227
Decommissioning and Abandonment	526 425	718 509
Retirement		
Depreciation Q1-Q3	-2 954 809	
Depreciation Q4	-1 770 070	
Depreciation 2012		-1 832 267
Carrying value as of end of period	54 710 527	48 526 364
As of end of period		
Acquisition Cost	60 878 613	49 969 571
Capitalization of interest	1 335 227	1 335 227
Accumulated depreciation	-7 503 313	-2 778 434
Carrying value as of end of period	54 710 527	48 526 364

Reserves and production (not audited)

Estimated total P90 reserves as of 31.12.13 is 2.75 million boe (net Crudecorp).

Total production in Q4 2013 was 65,127 boe.

— **Note 3 Oil field production rights**

	31.12.13	31.12.12
Carrying Value as of beginning of period	8 186 562	7 464 281
Depreciation Q1-Q3	-392 129	
Depreciation Q4	-179 758	
Depreciation 2012		-56 986
Conversion differences (Translation)	-614 364	593 705
Additions interest		185 562
Carrying value as of end of period	7 000 311	8 186 562
As of end of period		
Acquisition Cost	7 629 184	8 243 548
Cumulative depreciation and amortization	-628 872	-56 986
Carrying value as of end of period	7 000 311	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
Share issue November 2012*	2 222	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)			23 177	3 088 207	3 111 384
Total as of 31 December 2012	93 374	1 867 478	335 379	44 424 786	44 760 165
Share issue January 2013	350	7 000	1 228	413 151	414 379
Share issue April 2013	10 000	200 000	34 756	11 087 168	11 121 924
Share issue cost				-112 307	-112 307
Capital increase options	40	800	131	13 018	13 150
Share issue December	21 500	430 000	70 681	19 366 504	19 437 185
Share issue cost				-568 760	-568 760
Conversion differences (Translation)			-30 373	-2 832 131	-2 862 504
Total as of 31 December 2013	125 264	2 505 278	411 802	71 791 430	72 203 232

* Share issue November 2012 was registered on 4 January 2013

– **Note 5** Loans and Derivatives

	31.12.13	31.12.12
Long-term debt		
Loan from Paladin	1 697 517	1 819 595
Bond Issue	8 006 479	3 675 682
Credit Suisse	24 770 200	29 470 200
Derivatives	4 861 606	3 117 184
Decommissioning and Abandonment	1 280 859	718 509
Total long-term debt	40 616 661	38 801 169
Short-term debt		
Trade and other payables	7 195 432	4 983 230
Derivatives	2 336 320	779 296
Total short-term debt	9 531 752	5 762 526

	Nominal value	
	31.12.13	31.12.12
Loan from Paladin	1 812 831	1 934 909
Bond Issue	8 218 683	3 772 636
Credit Suisse	25 300 000	30 000 000
Total	35 331 514	35 707 545

Other income and expenses

	Q4 13	Q4 12	2013	2012
Other income and expenses				
Profit/loss on MTM value on oil and gas contract Credit Suisse	-5 050 583	-734 910	-5 855 152	-3 798 231
Total	-5 050 583	-734 910	-5 855 152	-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 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 0,25 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 24.8 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 4.8 million as per 31 December. 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 31 December 2013 the total loss on the oil contract is amounted to USD 6.7 million. As per 30 September 2013 the total loss was 3.5 million resulting in a cost related to the oil contract for Q4 13 of USD 3.2 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 2013 there was a total loss on the gas contract amounted to USD 0.5 million. As per 30 September 2013 the total loss was USD 0.9 million and the gain for Q4 13 is USD 0.4 million. This gain is presented as other income/expenses in the Condensed Consolidated Income Statement and included in derivatives in the balance sheet.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets 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 from prices)

Level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)

2013	Level 1	Level 2	Level 3	Total
Assets				
Financial derivatives	-	-	-	.
Liabilities				
Financial derivatives	-	7 197 926	-	7 197 926
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

	31.12.13	31.12.12
Warranty Bond related to production rights	264 457	263 295
Third parties' share of investment	4 975 822	4 035 000
Other non-current assets	5 240 279	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

	Q4 13	Q4 12	2013	2012
Interest expense Credit Suisse and Bond Issue*	1 477 244	773 163	6 385 004	737 474
Interest expense other		30 137		32 472
Miscellaneous financial expenses		896		96 891
Foreign exchange losses		1 212 794		4 095 311
Interest expense on Plugging and Abandonment	35 925		35 925	
Financial expenses	1 513 169	2 016 990	6 420 929	4 962 148
Foreign exchange gain	658 634	999 248	4 064 252	1 473 566
Interest income on short-term bank deposits	26 452	26 550	64 995	83 720
Financial Income	685 085	1 025 798	4 129 247	1 557 286
Net financial expenses	-828 084	-991 192	-2 291 683	-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

Following the completed Private Placement in December 2013, Ymir Energy AS exceeded the 50 % mandatory offer threshold and made a mandatory offer for the remaining shares in the Company. After the expiration of the offer period on 18 February 2014, Ymir has received acceptances from shareholders holding in aggregate 47,574,693 shares, representing approx. 38.0 % of the share capital in Crudecorp. Together with Ymir and closely related parties' holding of 75,569,807 shares in the Company, Ymir and closely related parties will following completion of the Mandatory Offer own 123,144,500 shares in Crudecorp, representing approx. 98.3 % of the share capital in the Company.

Ymir intends to initiate a compulsory acquisition of the remaining shares in Crudecorp in accordance with section 4-25 of the Norwegian Public Limited Companies Act.

In addition, Ymir will initiate an extraordinary general meeting in Crudecorp in order to apply for a delisting from Oslo Axess, effective as soon as possible.

There have been no other subsequent events that affect 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.

— **Note 10** Income tax expense

	Q4 13	Q4 12	2013	2012
Tax payable	-17 679	0	-17 679	0
Total tax payable	-17 679	0	-17 679	0
Deferred tax assets	-532 484	2 742 688	-116 257	2 742 688
Total deferred tax	-532 484	2 742 688	-116 257	2 742 688
Taxes	-550 163	2 742 688	-133 936	2 742 688

Tax payable consists of 2012 State and Federal income taxes in US.

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 2012 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 2013.

