

**ARACA ENERGY ASA**

**CONSOLIDATED FINANCIAL STATEMENTS AND STANDALONE FINANCIAL STATEMENTS  
OF THE PARENT COMPANY PREPARED IN ACCORDANCE WITH SIMPLIFIED  
APPLICATION OF INTERNATIONAL ACCOUNTING STANDARDS ACCORDING TO THE  
NORWEGIAN ACCOUNTING ACT § 3-9**

**31 DECEMBER 2013**

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## **BOARD OF DIRECTORS' REPORT**

### **Operations**

Araca Energy ASA (hereinafter, "Araca Energy ASA" or "the Company") is an independent Norwegian exploration - and production company engaged in development and operation of oil and natural gas properties in Russia. The Company owned throughout 2013 two entities OOO Geotechnologia and OOO Veselovskoe, which hold exploration and production licenses (hereinafter, "the Group"). Geotechnologia is located in the Timan Pechora region and owns three production licenses (one for West Ukhtinskoye and two for Middle Sedyelskoye) and one exploration license (Middle Sedyelskoye). OOO Veselovskoye holds five production licenses located in the Orenburg area. The local head offices are located in Ukhta and Orenburg. The Group's headquarters are located in Oslo, Norway.

In 2014 the Company changed its name into Araca Energy ASA. The previous name was Aladdin Oil & Gas Company ASA.

The Company's goal is to become a significant producer of oil and gas in Russia and the former Soviet Union.

### **Highlights 2013**

In 2013 Geotechnologia drilled well 14a in Middle-Sedelskoe field.

The initial loan of MUSD 7.6 from Waterford Finance and Investment Ltd was increased by MUSD 2.9 in 2013 and expiration date extended to February 2014.

### **Financial statements 2013**

Araca Energy ASA prepares and presents its accounts in accordance with Simplified International Financial Reporting Standards (IFRS). The Board of Directors and the CEO considers the statements and corresponding notes presented in this report to give a correct and accurate summary of the Company's operations and position at of 31 December 2013.

During the preparation, and audit of the 2013 Financial Statements, the Company has been denied access to financial information and documentation for the subsidiary OOO Veselovskoe which was sold as part of the sale of the subsidiary Stikito Ltd. in February 2014 (see Note 19 to the Financial Statements). Further, it is reasonable doubts as to the validity of deals with certain subcontractors of OOO Geotechnologia. Based on this, the Board of Directors' have been unable to determine whether any adjustments should have been made to the Consolidated Financial Statements or to the Company Financial Statements of Araca Energy ASA. Adjustments that should have been made to the Financial Statements of the subsidiaries, if any, may have an effect on the calculation of impairment of investments in- and loans to subsidiaries in the Company Financial Statements of Araca Energy ASA. However, the Board of Directors are not aware of any such adjustments that should have been made, and thus has found that despite of the uncertainty, the Financial Statements presented are the best that can be prepared.

Consolidated year ended 2013 Group operating revenues amounted to MNOK 38.4 compared to MNOK 31.8 in year ended 2012. For the period ended 31 December 2013 the Group incurred a loss of MNOK 23 (year ended 2012: MNOK 88.6). The loss is reduced compared to year ended 2012 due to increase in revenue and reduction in general and administrative costs.

The Group's net working capital is negative with MNOK 78.4 (2012: MNOK negative 55.2). Available cash and cash equivalents as at 31 December 2013 were MNOK 0.5. The Group's current interest-bearing debt at the reporting period ended 31 December 2013 was MNOK 71.8.

As at 31 December 2013, the Group had total assets of MNOK 142.1. The Group had total capital of MNOK 142.1. Total equity amounted to MNOK 26.9, which is equal to an equity ratio of 19%.

The Group's net cash flow from operations amounted to minus MNOK 6.7. The main reason for the difference between the Groups's operating profit and net cash flow from operations is impairment recognised in year ended 31 December 2013. The Group's total capital investments were MNOK 7 for year ended 31 December 2013.