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 2014

Contents

Operations

Araca Energy ASA ("the Company") is an independent Norwegian exploration and production company engaged in the development and operation of oil and natural gas properties in Russia. Throughout 2014 the Company owned OOO Geotechnologia ("Geotechnologia" and together "the Group"), which owns three production licenses (one for West Ukhtinskoye and two for Middle Sedyelskoye) in the Timan Pechora region of Russia. The Geotechnologia head office is located in Ukhta, Russia, and the Group's headquarters are located in Oslo, Norway.

In 2014 the Company changed its name to Araca Energy ASA from Aladdin Oil & Gas Company ASA.

The Company's goal is to become a significant producer of oil and gas in Russia and CIS.

Highlights 2014

The 2014 operating revenue was severely impacted by a drop in production from the wells as a result of excessive production in previous periods. The Company is currently working on a drilling programme for new wells and a remedial programme to improve the production levels of existing wells.

The operating activity in 2014 included only production from the existing wells and no workovers or other capital expenditure were incurred in 2014.

In February 2014 the Company transferred its wholly-owned subsidiary, Stikito Limited, which owned the entire issued share capital of Veselovskoe LLC, an oil production company based in Orenburg, Russia in exchange for offsetting outstanding Company loans owed to Nouvous International S.A (a previously assigned debt owed by the Company to Waterford Finance and Investment Limited.

The Middle Sedyelskoe exploration licence held by Geotechnologia expired on 31 December 2014. The Company is seeking renewal.

Financial statements 2014

The Company prepares and presents its accounts in accordance with Simplified International Financial Reporting Standards (IFRS). The Board of Directors and the CEO consider the statements and corresponding notes presented in this report to give a correct and accurate summary of the Company's operations and position as of 31 December 2014.

Consolidated operating revenues for the year ended 31 December 2014 Group amounted to MNOK 8.3 compared to MNOK 18.1 in the year ended 31 December 2013. For the year ended 31 December 2014 the Group incurred a loss from continuing operations of MNOK 80.3 (for the year ended 31 December 2013: MNOK 27.6). The loss increased compared to the year ended 31 December ended 2013 owing to a decrease in revenue, significant currency exchange losses (due to weakened Rouble currency) and impairment losses.

The Group's net working capital is negative with MNOK 14.8 (2013: MNOK negative 78.4). Available cash and cash equivalents as at 31 December 2014 were MNOK 0.5. The Group's current interest-bearing debt as at 31 December 2014 was MNOK 10.3.

As at 31 December 2014, the Group had total assets of MNOK 24.4. Total equity amounted to MNOK 2.6, which is equal to an equity ratio of 11%.

The Group's net cash flow from operations amounted to MNOK 0.2. The main reason for the difference between the Group operating profit and net cash flow from operations is impairment recognised in the year ended 31 December 2014. The Group's total capital investments were MNOK nil for year ended 31 December 2014 (MNOK 7.0 for year ended 31 December 2013).

The parent Company, Araca Energy ASA, had a net loss for year ended 31 December 2014 of MNOK 26.5 mainly caused by impairment of MNOK 25.9.

Board of directors and key management

During 2014 there were the several changes in the Board of directors.
At the beginning of the year the Board consisted of

Frederick Matthew Thomas Ponsonby, Chairman of the Board
Mikhail Alyautdinov
Linda Dowding
Guzel Mouksinova

At the end of February 2014 and coincident with the sale of Stikito Limited and with the exception of Guzel Mouksinova the Board resigned and was replaced with an interim Board which during the course of the year was changed on a number of occasions as the strategy of the Company evolved. In addition to the resignation of Guzel Mouksinova the following directors were appointed and resigned:

Bjørn Ursin-Holm
Monica Malm
Guzel Mouksinova
Stine Fjell
Victor Okoh
Claude Guenant
Lady Olga Maitland

The Board of Directors was finalised in December 2014 and consists of:

Atle Torbjorn Karlsvik, Chairman of the Board
John Shaw
Rashid Ibrahim
Kristina Stehling
Kirsti Beate Prestmarken

There have been no Board changes to date in 2015.

In February 2014 Mr John Skajem was appointed as acting CEO. He was officially registered as the CEO in June 2014. Mr Skajem resigned in September 2014 in favor of Mr Victor Edeki Ikechukwu Patrick Okoh, both registered November. Mr Henrik Wold was appointed CEO in December 2014 and is the current CEO.

Gender equality

Out of the estimated 32 employees in the Group as of the year ended 31 December 2014, estimated 11 are women. Women are represented in the board members in Araca Energy ASA. The Company is trying to recruit women to Group management positions. Women are well represented in the Group. There are no significant differences in employee benefits between men and women.

Working conditions

Safe working conditions are a fundamental prerequisite for the future growth of the Group. The board and the CEO consider the working conditions in the Group to be satisfactory. No serious accidents resulting in major personal injuries or material damage have been reported in year ended 2014.

Research & development activities

The Group has not undertaken any research and development (R&D) activities in year ended 2014.

Anti-discrimination

The Discrimination Act´s purpose is to promote equality, ensure equal opportunities and rights, and prevent discrimination. The Group is working actively to promote this in all of the Group's activities including recruitment, salary working condition, promotion, development and protection against harassment.

The external environment

The Company is through its subsidiary, OOO Geotechnologia, an operator of the Group's oil & gas fields in Russia. During drilling, the responsibility for the well may be transferred to a subcontractor (drilling company) which holds full responsibility for the operations and any reporting to Russian authorities until the well is finished. When a well is finished and ready for production, the responsibility for the well is transferred back to the operating entities. The Board is very aware of the importance in finding industrial solutions protecting the external environment and ensuring co-existence with other important industries. The Company upholds the laws and regulations applying in Russia at all times. No environmental incidents have been reported for the year ended 31 December 2014 or to date.

Financial risk

Mainly, the Group is exposed to currency risk, price risk and liquidity risk. The Group seeks to achieve an acceptable risk level within these areas. As to interest rate risk, the Company's loan has fixed interest rates, and is therefore considered as being low risk. The loans are in USD and this represents a currency risk. The functional and presentation currency for the Group is Norwegian kroner, while the Russian subsidiaries have income and expenses in roubles and inter-company loans in US dollars and roubles. The Group is therefore exposed to currency risk.

As to liquidity, the Group is in a development phase, and the access to necessary funds is considered a risk factor with regards to future funding, which is planned to be covered through a combination of loans and equity. In February 2014 the Group settled the debt owed by the Company to Nouvous International S.A (an assigned debt from Waterford Finance and Investment Limited) in the amount of USD 11,065,652. Levant Energy Limited, the Company's major shareholder, has indicated that it will fully support the Company.

Operational risk

Araca Energy ASA is exposed to operational and technical risk during drilling and production activities on the Company's licenses in Russia. Technical risk is inherent in the operations and may cause delays in operations. Similarly costs can increase due to a high level of activity and pressure in the industry. In shallow areas low pressure is a technical challenge. Exploration Middle Sedyelskoye licence was extended in 2014. There are operational risks associated with such extension processes for the Company as well as for other operators in Russia. The Company is not in compliance with all license obligations for several licenses which may cause additional risk to its licenses. See note 19 for more detailed information on the licenses.

Political risk

The EU and US have imposed sanctions on Russia and which the management are aware to ensure no sanction breach is committed.

Business ethics

The Company has adopted a policy that all activities and operations are to be conducted in a professional and safe manner, without injuries to humans or environmental damage. Training and exercises are important measures to achieve such. The Company supports honesty and trustful relationships with its business partners as well as the local community and has zero tolerance of corruption. When irregularities took place in Geotechnologia the responsible management of the subsidiary in Russia was dismissed.

Going Concern

Levant Energy Limited, the major shareholder of the Company has confirmed that it will continue to provide the necessary financial support to the Company to enable the Company to meet its obligations and to carry on its operations. The Board of Director's intention is to maintain the Company as a going concern and the financial statements have been prepared based on the going concern assumption, however at the same time the Board of Directors stresses that this policy is dependent on completion of ongoing financing.

Outlook

The Group has not reached 2014 goals owing to lack of financing and deterioration of market conditions. However, the management are focused on attracting new financing and restructuring the business to achieve positive EBITDA.

In 2015 the Company acquired a stake in Timan Oil and Gas Plc., which is a UK incorporated independent oil and gas exploration and production company with its main assets in the Timan-Pechora region of Western Russia and the Caspian basin.

The Company acquired 27.5% of the issued share capital of Timan Oil and Gas Plc, in exchange for the issue of 1,371,159,054 new ordinary shares of the Company in total amount of USD 194,978,176 as consideration.

Parent company accounts and the coverage of the loss for the year

The profit and loss account for the parent company Araca Energy ASA showed a loss for the year ended 31 December 2014 of MNOK 26.5 due to impairment of MNOK 25.9.

The Board propose to post the loss to accumulated losses.

Oslo, 17 December 2015

Atle Karlsvik (Chairman of the Board)

Henrik Wold (Interim CEO)

John Shaw

Rashid Ibrahim

Kristina Stehling

Kirsti Prestmarken

Araca Energy ASA
Consolidated Statement of Comprehensive Income for the year ended 31 December 2014

(Thousand NOK)	Note	Year ended 31 December 2014	Year ended 31 December 2013
OPERATING REVENUE AND OPERATING EXPENCES			
Revenue		8,258	18,089
Production costs	4	-2,381	-4,304
Gross profit		**5,877**	**13,785**
Exploration cost expensed		-24	-249
Salaries	16	-4,629	-8,397
General and administrative expenses	5	-8,603	-5,040
Operating gain / (loss) before depreciation and impairment		**-7,379**	**99**
Ordinary depreciation	7	-5,262	-7,408
Impairment	7	-71,476	-15,843
Operating loss		**-84,117**	**-23,152**
FINANCIAL INCOME AND FINANCIAL EXPENCES			
Interest income		-2	4
Interest expense		-846	-8,722
Foreign exchange gain / (loss), net		-43,936	5,976
Gain on disposal of subsidiaries	3	30,258	-
Other financial expense		2	-2,158
Financial items, net		**-14,524**	**-4,900**
Loss before income tax		**-98,641**	**-28,052**
Income tax benefit	6	18,383	436
Loss from continuing operations		**-80,258**	**-27,616**
Discontinued operations			
Profit / (loss) from discontinued operations	3	-2,542	4,599
Loss for the period		**-82,800**	**-23,017**
Other comprehensive income			
Effect of translation to presentation currency		56,273	-10,269
Other comprehensive income / (loss) for the year, net of tax		**56,273**	**-10,269**
Total comprehensive loss for the year		**-26,527**	**-33,286**
Weighted average number of ordinary shares - basic	14	64,833,472	64,081,336
Weighted average number of ordinary shares - diluted	14	88,932,662	64,081,336
Loss per ordinary share from continuing operations - basic	14	-1.24	-0.43
Loss per ordinary share from continuing operations - diluted	14	-0.90	-0.43
Loss per ordinary share - basic	14	-1.28	-0,36
Loss per ordinary share - diluted	14	-0.93	-0,36
Total comprehensive income per share - basic	14	-0.41	-0,52
Total comprehensive income per share - diluted	14	-0.30	-0,52

The accompanying notes are an integral part of these consolidated financial statements

(Thousand NOK)	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Intangible assets			
Licenses	7	4,384	100,421
Exploration and evaluation assets	7	107	1,966
Total intangible assets		**4,491**	**102,387**
Tangible fixed assets			
Oil and gas property	7	16,920	30,727
Other property, plant and equipment	7	613	2,564
Total tangible fixed assets		**17,533**	**33,291**
Total non-current assets		**22,024**	**135,678**
Current assets			
Inventories	10	163	3,324
Trade receivables	9	415	1,477
Other receivables	9	1,310	1,149
Cash and cash equivalents	8	496	530
Total current assets		**2,384**	**6,480**
TOTAL ASSETS		**24,408**	**142,158**
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholder's equity			
Paid-in capital			
Share capital	11	18,277	16,020
Other paid-in capital		70,434	70,434
Total paid-in capital		**88,711**	**86,454**
Accumulated losses			
Effect of translation to presentation currency		45,233	-11,040
Accumulated losses and other reserves		-131,330	-48,530
Total accumulated losses		**-86,097**	**-59,570**
TOTAL EQUITY		**2,614**	**26,884**

(Thousand NOK)	Note	31 December 2014	31 December 2013
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	6	877	20,084
Assets retirement obligation	13	3,722	10,342
Total provision for liabilities and charges		**4,599**	**30,426**
Current liabilities			
Convertible loans		3,192	-
Short-term loans	15	7,106	71,775
Trade accounts payable		2,595	6,715
Profit tax payable		41	
Other taxes payable		1,998	3,500
Other payables		2,263	2,858
Total current liabilities		**17,195**	**84,848**
TOTAL LIABILITIES		**21,794**	**115,274**
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		**24,408**	**142,158**

Oslo, 17 December 2015

Atle Karlsvik (Chairman of the Board)

Henrik Wold (Interim CEO)

John Shaw

R.M. Ibrahim

Rashid Ibrahim

Kristina Stehling

Kirsti Prestmarken

(Thousand NOK)	Note	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before income tax		**-98,641**	**-28,052**
Depreciation	7	5,262	7,408
Impairment	7	71,476	15,843
Gain on disposal of subsidiaries	3	-30,258	-
Finance expense, net		846	8,722
Foreign exchange gain / (loss), net		43,936	-5,976
Other		-14	2,501
Operating cash flows before working capital changes and income tax paid		**-7,393**	**446**
Working capital changes		7,603	-7,124
Net cash generated from / (used in) operating activities		**210**	**-6,678**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Exploration and evaluation assets and oil and gas properties		-	-7,005
Net cash used in investing activities		**-**	**-7,005**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	15	-	12,027
Net cash generated by financial activities		**-**	**12,027**
Foreign exchange gain / (loss) on cash balances		-244	80
Change in cash and cash equivalents		**-34**	**-1,576**
Cash and cash equivalents at the beginning of the period	**8**	**530**	**2,106**
Cash and cash equivalents at the end of the period	**8**	**496**	**530**

(Thousand NOK)	Note	Share capital	Other paid-in capital	Total paid-in capital	Effect of translation to presentation currency	Accumulated losses	Total equity
As at 1 January 2013		**16,020**	**70,434**	**86,454**	**-771**	**-25,513**	**60,170**
Loss for the period		-	-	-	-	-23,017	**-23,017**
Effect of translation to presentation currency		-	-	-	-10,269	-	**-10,269**
As at 31 December 2013		**16,020**	**70,434**	**86,454**	**-11,040**	**-48,530**	**26,884**
As at 1 January 2014		**16,020**	**70,434**	**86,454**	**-11,040**	**-48,530**	**26,884**
Subscription rights conversion	11	2,257	-	2,257	-	-	2,257
Loss for the period		-	-	-	-	-82,800	**-82,800**
Effect of translation to presentation currency		-	-	-	56,273	-	**56,273**
As at 31 December 2014		**18,277**	**70,434**	**88,711**	**45,233**	**-131,330**	**2,614**

Note 1. Accounting policies and effect of new accounting standards

Araca Energy ASA is a public limited company incorporated in Norway. The Company's main office is located in Bryggegaten 14, 0250 Oslo. The list of subsidiaries is presented in Note 2.

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

Basis of preparation and going concern. These consolidated financial statements of Araca Energy ASA (hereinafter, "the Company" or 'the Parent Company') and its subsidiaries (together referred to as "the Group") have been prepared in accordance with the Norwegian Accounting Act §3-9 and the rules for simplified IFRS passed by the Norwegian Finance Ministry on 21 January 2008. This requires that recognition and measurement is mainly performed according to International Financial Reporting Standards (IFRS) and presentation and notes to the financial statements are according to the Norwegian Accounting Act and Norwegian generally accepted accounting standards.

All transactions and balances between subsidiaries are eliminated. The financial statements are based on the financial statements of the individual entities which have been prepared using the same accounting policies. All entities have the same reporting date, 31 December 2014.

These consolidated annual financial statements were prepared on a going concern basis. There is as at the date of these financial statements a reasonable expectation that the Group will have adequate resources to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Thus the going concern basis of accounting has been adopted in preparing the financial statements.

At the same time the Board of Directors stresses there are uncertainties related to obtaining future financing and thereby the Groups ability to continue as a going concern.

Foreign currency. The Norwegian kroner (NOK) is the presentation currency for the Group's operations and functional currency of the Parent Company. The individual financial statements of each of the companies within the Group are prepared in the currency of the primary economic environment in which it operates (its functional currency). Financial statements of the Russian and Cyprus subsidiaries are measured in Russian Rubles and United States Dollar respectively.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks;

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into currency units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

Exchange differences on intercompany transactions with the predetermined maturity dates are recognized in income statement of the subsidiary which currency is other than the Parent's functional currency. If the intercompany balances are not expected to be repaid, exchange differences are recognized in equity.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity.

Summary exchange rates used for translation are provided below.

	31 December 2014	31 December
Exchange rate as at reporting date		
Russian Roubles/NOK	7.58	5.45
Russian Roubles/USD	56.26	32.73
NOK/USD	7.42	6.14
Average exchange rate		
Russian Roubles/NOK	6.07	5.32
Russian Roubles/USD	38.42	31.85
NOK/USD	6.29	5.88

Property, plant and equipment. Property, plant and equipment are recorded at historical cost of acquisition and adjusted for accumulated depreciation, depletion and impairment. All subsequent additions are recorded at historical cost of acquisition or construction and adjusted for accumulated depreciation, depletion and impairment. The cost of property, plant and equipment includes provisions for dismantlement, abandonment and site restoration.

The Group accounts for exploration and evaluation activities in accordance with IFRS 6, *Exploration for and Evaluation of Mineral Resources.* Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are initially capitalised as an exploration and evaluation assets (E&E) until the drilling of the well is complete and the results have been evaluated. If oil and gas are not found, the exploration expenditure is written off as a dry hole. If oil and gas are found and, subject to further appraisal activity, which may include the drilling of further wells (exploration or exploratory-type stratigraphical test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written-off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to the oil and gas properties and an impairment review of the property is undertaken at that time.

Development and production assets are accumulated generally on a field-by-field basis and represent the cost of developing the commercial reserves discovered and bringing them to production together with E&E expenditures incurred in finding commercial reserves and transferred from the E&E assets described above. The cost of development and production assets also include the costs of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised and the costs of recognising provisions for future restoration and decommissioning.

Depletion of capitalized costs of proved oil and gas properties is calculated using the unit-of-production method for each field based upon proved reserves for property acquisitions and proved developed reserves for development costs.

Depreciation of non-oil and gas property, plant and equipment is calculated using the straight-line method over their estimated remaining useful lives.

Useful lives of the assets that are depreciated by the straight-line method, in years, were as follows:

Type of facility	Years
Other property, plant and equipment	3-15

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within ‘Other expense’ in the consolidated statement of comprehensive income.

Licenses. The Group measures licences at cost less accumulated amortisation and impairment losses. Licences are amortised using the unit-of-production method for each field based upon proved reserves for property acquisitions.

Provisions. Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions, including those related to dismantlement, abandonment and site restoration, are evaluated and re-estimated annually, and are included in the consolidated financial statements at each reporting date at the present value of the expenditures expected to be required to settle the obligation using pre – tax discount rates which reflect the current market assessment of the time value of money and the risks specific to the liability.

Changes in provisions resulting from the passage of time are reflected in the consolidated statement of comprehensive income each year under financial items. Other changes in provisions, relating to a change in the expected pattern of settlement of the obligation, changes in the discount rate or in the estimated amount of the obligation, are treated as a change in accounting estimate in the period of the change. Changes in provisions relating to dismantlement, abandonment and site restoration are added to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset should not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognized immediately in profit or loss.

The provision for dismantlement liability is recorded on the consolidated statement of financial position, with a corresponding amount being recorded as part of property, plant and equipment.

Impairment of assets. Assets that are subject to depreciation and depletion are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped by license areas, which are the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Inventories. Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

Account receivables. Account receivables and other current receivables are recorded in the consolidated balance sheet at nominal value less provisions for expected losses. Provisions for expected losses are based on individual assessments of the each receivable.

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Restricted cash balances are presented separately from cash available for the business to use until such time as restrictions are removed.

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the consolidated balance sheet on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT.

Borrowings. Borrowings are recognized initially at the fair value of the liability, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between amount at initial recognition and the redemption amount is recognized as interest expense over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least Year ended after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalized.

Warrants. Warrants are equity instrument that allow the holder to subscribe for or purchase a fixed number of ordinary shares in the issuing entity in exchange for a fixed amount of cash or another financial asset. Warrants are initially recognized at fair value less issue cost as part of equity.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss.

Revenue. The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that economic benefits will flow to the entity, typically when oil and gas are dispatched to customers and title has transferred. Gross revenues exclude value added taxes. Sales of the Group are only performed in the Russian Federation. The Group sells oil and gas in a single geographical area, which is the Russian Federation.

Options. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using the applicable tax rate that has been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax movements are recorded in the income statement except when they are related to the items directly charged to the shareholders' equity. In this case deferred taxes are recorded as part of the shareholders' equity.

Critical accounting judgements. The preparation of consolidated financial statements in conformity with IFRS requires the Group management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the consolidated financial statements. Actual results may differ from those estimates. Information about areas of judgment and key sources of uncertainty and estimation is contained in the accounting policies and / or the notes to the consolidated financial statements.

The following are the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Net realizable value of inventories

In determining the net realizable value of inventories, the Group estimates the selling prices, based on published market rates, cost of completion and cost to sell. To the extent that future events impact the saleability of inventory these provisions could vary significantly.

Estimated reserves, resources and exploration potential

Reserves are estimates of the amount of product that can be extracted from the Group's properties, considering both economic and legal factors. Calculating reserves and estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, prices and exchange rates.

Impairment of licences, property, plant and equipment

For the purpose of determining the recoverable amount of assets or cash generating units, estimates are made of the discount rate. Future cash flow estimates are based on expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, restoration and rehabilitation costs and future capital expenditures. The Group management is required to make these estimates and assumptions which are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired and the impairment would be recognized in the consolidated income statement.

Expected economic lives of, estimated future operating results

In applying the units of production method, depreciation is normally calculated using the quantity of material extracted from the well in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves.

In assessing the life of a well for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2014, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is currently assessing the impact of the IFRS 9 on the consolidated financial statements.

- IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The core principle of the new standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively and improves guidance for multiple-element arrangements. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is currently assessing the impact of the IFRS 15 on the consolidated financial statements.

- In May 2014, the IASB issued an amendment to IFRS 11 Joint Arrangements, entitled Accounting for Acquisitions of Interests in Joint Operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business and requires the application of IFRS 3 Business Combinations, for such acquisitions. The amendment is effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

The Group is currently assessing the impact of the IFRS 11 on the consolidated financial statements.

- In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets, entitled Clarification of Acceptable Methods of Depreciation and Amortisation. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate, because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. These amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted.

The Group is currently assessing the impact of the IAS 16 and IAS 38 on the consolidated financial statements.

- In September 2014, the IASB issued amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures entitled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. These narrow scope amendments clarify, that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not), and a partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016 with earlier application permitted.

The Group is currently assessing the impact of the amendments on the consolidated financial statements.

- In November 2013, the IASB issued amendments to IAS 19 Employee Benefits, entitled Defined Benefit Plans: Employee Contributions. The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for annual periods beginning on or after July 1, 2014 with earlier application permitted.

The Group is currently assessing the impact of the amendments on the consolidated financial statements.

The following new or amended standards are not expected to have a significant impact of the Group's consolidated financial statements.

- IFRS 14 Regulatory Deferral Accounts.
- Amendments to 16 Property, Plant and Equipment and IAS 41 Agriculture.
- Annual Improvements to IFRSs 2010–2012 Cycle.
- Annual Improvements to IFRSs 2011–2013 Cycle.

Note 2. Subsidiaries

The following are the subsidiaries which have been consolidated into these Consolidated Financial Statements.

Company	Parent company	% of ownership	Country
31 December 2014			
Larchbay Traders & Consultants Ltd.	Araca Energy ASA	100%	Cyprus
Aladdin Oil & Gas (Cyprus) Ltd.	Araca Energy ASA	100%	Cyprus
OOO Geotechnologia	Larchbay Traders & Consultants Ltd.	100%	Russia
ZAO YuK Perspectiva	Aladdin Oil & Gas Cyprus Ltd.	100%	Russia
31 December 2013			
Larchbay Traders & Consultants Ltd.	Araca Energy ASA	100%	Cyprus
Aladdin Oil & Gas (Cyprus) Ltd.	Araca Energy ASA	100%	Cyprus
Stikito Limited	Araca Energy ASA	100%	Cyprus
OOO Geotechnologia	Larchbay Traders & Consultants Ltd.	100%	Russia
ZAO YuK Perspectiva	Aladdin Oil & Gas Cyprus Ltd.	100%	Russia
OOO Veselovskoye	Stikito Limited	100%	Russia

Note 3. Discontinued operations

On 04 February 2014 the Company signed a Settlement Agreement with Nouvos International S.A. to transfer wholly-owned shares in Stikito Limited (including 100% share in Veselovskoe LLC holding oil and gas exploration licenses in Orenburg) and intercompany receivable in the amount of NOK 126,328,345 (USD 20,236,171), in exchange for offsetting outstanding loan from Waterford Finance and Investment Limited in the amount of NOK 69,079,546 (USD 11,065,652). The transaction was completed on 19 February 2014 upon Shareholder approval and the Group received the gain for the transaction of the sale Stikito Limited shares in the amount of NOK 30.3 million.

(Thousand NOK)	Year ended 31 December 2014
Consideration	67,117
Veselovskoe negative net assets disposal	46,593
Stikito negative net assets disposal	41,435
Intercompany loan receivable	-124,887
Gain on disposal	**30,258**

Results from discontinued operations represents the net result from the disposed subsidiary Stikito and its subsidiaries, and is presented net in a separate line item. Consolidated Income Statement for 2013 were restated in accordance with IFRS 5 to match this presentation.

Note 4. Production costs

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Mineral tax	1,577	2,483
Materials and supplies	427	941
Technical services	125	254
Repair and maintenance	39	25
Transportation services	4	284
Other cost of sales	209	317
Total cost of sales	**2,381**	**4,304**

Note 5. General and administrative expenses

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Consulting costs	2,330	1,123
Taxes other than income tax	1,175	1,253
Allowance for doubtful debts	1,145	-131
Rent	609	615
Business trip expenses	595	201
Other administrative expenses	2,749	1,979
Total general and administrative expenses	**8,603**	**5,040**

Note 6. Income tax

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Tax payable	-147	-76
Change in deferred tax	18,530	512
Tax benefit	**18,383**	**436**

A reconciliation between the expected and actual income tax expense is provided below:

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Loss before income tax	**-94,069**	**-20,709**
Theoretical tax benefit at tax rate 27% applicable to Parent Company	26,339	5,799
Effect of tax rates in different jurisdictions	-1,560	-3,298
Unrecognised deferred tax assets	-	346
Other unrecognised deferred income tax asset movements	-5,455	-2,410
Total income tax benefit	**18,383**	**436**

(Thousand NOK) **Temporary differences**	Year ended 31 December 2014	Year ended 31 December 2013	Change	Change due to disposal Veselovskoye OOO
Licenses	4,384	100,421	-108,796	12,759
Total temporary differences	**4,384**	**100,421**	**-108,796**	**12,759**
Basis deferred tax	**4,384**	**100,421**	**-108,796**	**12,759**
Deferred tax liability (Russia)	-877	-20,084	18,530	677
Net deferred tax	**-877**	**-20,084**	**18,530**	**677**
Deferred tax asset not recognized in the consolidated statement of financial position	**13,988**	**30,468**	**-**	**-**

As at 31 December 2014 the Group had total taxable losses carried forward of MNOK 23.0, which relates to entities in Russia and expires in ten years.

The table below states the income tax rates applicable for the Group's subsidiaries and Parent Company:

	Year ended 31 December 2014	Year ended 31 December 2013
Parent Company	27%	28%
Russian subsidiaries	20%	20%
Cyprus subsidiaries	12.5%	12.5%

Note 7. Non-Current Assets

(Thousand NOK)	Licenses	Exploration and evaluation assets	Oil and gas properties	Other non-current assets	Total
Cost					
Opening balance as at 1 January 2014	**195,467**	**53,759**	**75,027**	**8,124**	**332,377**
Disposals	-12,759	-	-	-344	**-13,103**
Effect of translation to presentation currency	-1,789	-7,099	-1,929	-2,552	**-13,369**
Change in decommissioning liabilities	-	80	-225	-	**-145**
Disposal of OOO Veselovskoye (Note 3)	-	-13,546	-14,728	-952	**-29,226**
Closing balance as at 31 December 2014	**180,919**	**33,194**	**58,145**	**4,276**	**276,534**
Accumulated depreciation (including impairment)					
Opening balance as at 1 January 2014	**-95,046**	**-51,793**	**-44,300**	**-5,560**	**-196,699**
Charge for the period	-	-	-5,155	-107	**-5,262**
Impairment	-71,476	-	-	-	**-71,476**
Disposals	-	-	-	344	**344**
Effect of translation to presentation currency	-10,013	7,064	7,939	1,337	**6,327**
Disposal of OOO Veselovskoye (Note 3)	-	11,642	291	323	**12,256**
Closing balance as at 31 December 2014	**-176,535**	**-33,087**	**-41,225**	**-3,663**	**-254,510**
Net book value as at 31 December 2014	**4,384**	**107**	**16,920**	**613**	**22,024**

(Thousand NOK)	Licenses	Exploration and evaluation assets	Oil and gas properties	Other non-current assets	Total
Cost					
Opening balance as at 1 January 2013	**195,467**	**49,193**	**71,703**	**6,266**	**322,629**
Additions	-	4,518	1,205	971	**6,694**
Disposals	-	-	-	-37	**-37**
Effect of translation to presentation currency	-	48	2,119	924	**3,091**
Closing balance as at 31 December 2013	**195,467**	**53,759**	**75,027**	**8,124**	**332,377**
Accumulated depreciation (including impairment)					
Opening balance as at 1 January 2013	**-92,646**	**-39,870**	**-38,617**	**-5,200**	**-176,333**
Charge for the period	-156	-	-6,936	-316	**-7,408**
Impairment	-4,706	-11,137	-	-	**-15,843**
Effect of translation to presentation currency	2,462	-786	1,759	-44	**3,392**
Closing balance as at 31 December 2013	**-95,046**	**-51,793**	**-44,300**	**-5,560**	**-196,699**
Net book value as at 31 December 2013	**100,421**	**1,966**	**30,727**	**2,564**	**135,678**

Oil and gas properties. The management of the company analysed the reserves and made an impairment review at each reporting date.

Depletion of capitalized costs of proved oil and gas properties is calculated using the unit-of-production method for each field based upon proved reserves for property acquisitions and proved developed reserves for development costs.

Depreciation of non oil and gas property, plant and equipment is calculated using the straight-line method over their estimated remaining useful lives.

Acquisition costs of licenses. Acquisition costs of licenses of production fields are grouped with the cost of developing the field and tested for impairment at each reporting period based on future cash flows from oil and gas production.

Impairment. Acquisition costs for licenses still in the exploration stage are tested for impairment at each reporting date based on evaluation of future plans for exploring the exploration licenses, results of exploratory drilling and other activities impacting on the license values.

The exploration license for Middle Sedyelskoe deposit has been impaired in the amount of MNOK 71.5 in 2014 due to expiration of license term.

Note 8. Cash and cash equivalents

(Thousand NOK)	**31 December 2014**	**31 December 2013**
Cash at bank	496	521
Cash on hand	-	9
Total cash and cash equivalents	**496**	**530**

Note 9. Accounts receivable and prepayments

(Thousand NOK)	31 December 2014	31 December 2013
Trade receivables	415	1,477
Advances to suppliers and prepayments	1,823	1,410
Allowances for doubtful debts	-1,430	-866
VAT recoverable and prepaid	380	404
Prepaid taxes	2	1
Other receivables	535	200
Total accounts receivable and prepayments	**1,725**	**2,626**

Note 10. Inventories

(Thousand NOK)	31 December 2014	31 December 2013
Materials and supplies	163	767
Finished goods	-	2,557
Total inventories	**163**	**3,324**

Note 11. Share capital

	31 December 2014	31 December 2013
Number of issued ordinary shares	73,106,970	64,081,336
Par value (in NOK)	0.25	0.25

Fully paid-in ordinary share capital

	Number of shares registered	Number of shares unregistered
Balance at 1 January 2013	**64,081,336**	**200,200**
Balance at 31 December 2013	**64,081,336**	**200,200**
Issue of shares (subscription rights)	9,025,634	-
Balance at 31 December 2014	**73,106,970**	**200,200**

In 2014 a total of 9,025,634 shares were issued for a capital increase of NOK 2,256,408.50 as subscription rights were exercised (Note 15).

Company's 20 largest shareholders as of 31 December 2014:

	Type	Number of shares	Country	% of ownership
Banque De Luxemburg S.A	NOM	30,627,086	Luxembourg	42%
Canaccord Genuity Non Us Resa	NOM	7,510,167	USA	10%
Sæter		3,808,449	Norway	5%
Standal As		2,550,857	Norway	3%
Vision Of Energy As		2,516,220	Norway	3%
Euroclear Bank S.A./N.V. ('Ba')	NOM*	2,116,202	Belgium	3%
Tollefsen		1,352,977	Sweden	2%
Andoskin		1,323,916	Russia	2%
Six Sis Ag		967,883	Switzerland	1%
Citibank, N.A.	NOM	927,901	United Kingdom	1%
Icenet As		850,000	Norway	1%
Hveem	NOM	815,809	Norway	1%
Anderson Invest As		798,600	Norway	1%
Bny Mellon Sa/Nv	NOM	630,000	Belgium	1%
Peinert		628,293	Norway	1%
Håpet Invest As	NOM	599,879	Norway	1%
Pershing Securities Int. Ltd.		590,000	United Kingdom	1%
Baal		525,325	Singapore	1%
Deutsche Bank Ag	NOM	496,936	United Kingdom	1%
Wiik		480,000	Norway	1%
Subtotal		60,116,500		82%
Other shareholders		12,990,470		18%
Total issued shares as of 31 December 2014		**73,106,970**		**100%**

- NOM : the share register are nominee accounts.

Company's 20 largest shareholders as of 31 December 2013:

		Number of shares	Country	% of ownership
Waterford Finance And Investment ltd.		25,903,581	Guernsey	40%
Soyuzneftegas Capital Limited		13,606,000	Cyprus	21%
Mp Pensjon Pk		2,730,617	Norway	4%
Hveem	NOM	2,508,187	Norway	4%
Euroclear Bank S.A./N.V. ('Ba')	NOM	2,213,702	Belgium	3%
Rbc Dexia Investor Services Trust	NOM	1,445,854	UK	2%
Tollefsen		1,352,977	Norway	2%
Andoskin		1,323,916	Russia	2%
Citibank Na London Branch		1,470,101	UK	2%
Haadem Invest As		1,173,506	Norway	2%
Bank Of New York Mellon Sa/Nv		249,975	Belgium	0.4%
Fairview Finance & Investment Ltd.		782,450	The British Virgin Islands	1%
Six Sis Ag	NOM	267,926	Switzerland	1%
Baal		525,325	Singapore	1%
Clearstream Banking S.A.	NOM	428,375	Luxemburg	1%
Hagen		363,843	Norway	1%
Fyffe		310,550	Singapore	0%
Cheviot Capital Client Account		249,975	Belgium	0.4%
Stormskjold Regnskap As		246,142	Norway	0%
Totenkopf As		238,142	Norway	0%
Subtotal		**57,391,144**		**90%**
Other shareholders		6,690,192		10%
Total issued shares as of 31 December 2013		**64,081,336**		**100%**

Note 12. Pension arrangement

The parent company is required to have a pension arrangement in accordance with the Mandatory Service Pension Act. The parent company's pension arrangement is in accordance with the requirements of the Act. Pension arrangements in Russian subsidiaries are represented by social insurance contributions.

Note 13. Asset retirement obligation

(Thousand NOK)	
As at 31 December 2012	**10,342**
Decrease resulting from changes in estimates	-944
Unwinding of discount	692
Effect of translation	252
As at 31 December 2013	**10,342**
Disposal of OOO Veselovskoye (Note 3)	-4,234
Decrease resulting from changes in estimates	-978
Unwinding of discount	268
Effect of translation	-1,677
As at 31 December 2014	**3,722**

The management of the Group has evaluated the expenditures for environmental restoration until 2028 - 2031 based on the interpretation of the existing license agreements and in accordance with IAS 37, *Provisions, contingent liabilities and contingent assets*. As at 31 December 2014 discount rate used to calculate liabilities was 12.0 percent (as at 31 December 2013 discount rate used was 7.4 percent), is an actual pre-tax rate, the application of which the Group considers reasonable in the current economic situation in the Russian Federation at the reporting date. The relevant asset has been included in Oil and gas properties as part of the property, plant and equipment and in exploration and evaluation assets.

Note 14. Earnings per share

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Loss from continuing operations	-80,258	-27,616
Profit / (loss) from discontinued operations	-2,542	4,599
Loss for the period	**-82,800**	**-23,017**
Total comprehensive income	-26,527	-33,286
Weighted average number of ordinary shares - basic	**64,833,472**	**64,081,336**
Effect of warrants (subscription rights)	24,099,190	-
Weighted average number of ordinary shares - diluted	**88,932,662**	**64,081,336**
Loss from continuing operations per ordinary share - basic	-1.24	-0.43
Loss from continuing operations per ordinary share - diluted	-0.90	-0.43
Profit / (loss) from discontinued operations per ordinary share – basic	-0.04	0.07
Profit / (loss) from discontinued operations per ordinary share – diluted	-0.03	0.07
Loss for the period per ordinary share - basic	-1.28	-0.36
Loss for the period per ordinary share - diluted	-0.93	-0.36
Total comprehensive income per share - basic	-0.41	-0,52
Total comprehensive income per share - diluted	-0.30	-0,52

Note 15. Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties are Companies within the group (Note 2), key management personnel (Note 15) and shareholders (Note 10).

Warrants

On 29 August 2014 at an Extraordinary General Meeting it was resolved that the Company issued 10,000,000 freestanding subscription rights (warrants) each of which gives the holder a right to subscribe to one new share at a par value of NOK 0.25 against payment equal to a share price of NOK 0.75.

None of these subscription rights have been exercised.

Convertible debt and capital increase

Araca Energy ASA as the borrower entered into Convertible Loan Agreement on 15 May 2014 with a number of individual lenders in the amount of USD 775,000 at the interest rate of 5% p.a.

At subscription of the convertible loan, the lenders were given the right to subscribe for 24 subscription rights (warrants) per 1 USD loan loaned. 18,600,000 warrants were granted giving the holders the right to subscribe for Company shares at par value.

USD 351,000 of the loan, plus interest was converted to equity in 2014. A total of 9,025,634 shares were issued for a capital increase of NOK 2,256,408.50 (Note 11).

Note 16. Election Committee & Remuneration

The Company will appoint an Election Committee consisting of members chosen by the General Assembly. The members of the committee are shareholders or appointed by shareholders of the Company. The

Election Committee makes suggestions to the general assembly as to who should be elected to the Board of Directors and recommends proposals for Director's remuneration. The members of the Election Committee will be elected for a period of two years.

Employees' Remuneration

(Thousand NOK) **Type of remuneration**	**Year ended 31 December 2014**	**Year ended 31 December 2013**
Salaries	3,735	7,173
Social security tax	894	1,224
Total employees' remuneration	**4,629**	**8,397**

Information on remuneration type of key management personal is provided below:

(Thousand NOK)	**Title**	**From**	**To**	**Salary**	**Remuneration**	**Other expenses**
Year ended 31 December 2014						
Alexei Kruzhkov	Ex CEO of Araca	01.2014	02.2014	-	-	
John Skajem	Ex CEO of Araca	02.2014	09.2014	50	-	
Victor Okoh	Ex CEO of Araca	09.2014	12.2014			
Henrik Wold	CEO of Araca	12.2014	now	-	-	
Nikolai Zateev	General Director in Ukhta	01.01.14	09.04.14	143	-	134
Anton Samchenko	General Director in Ukhta	09.04.14	31.12.14	240	-	43
Total				**433**	**-**	**177**

(Thousand NOK)	**Title**	**From**	**To**	**Salary**	**Remuneration**	**Other expenses**
Year ended 31 December 2013						
Alexey Kruzhkov	CEO	01.01.12	31.12.12	-	-	-
Nikolai Zateev	General Director in Ukhta	01.01.13	31.12.13	474	-	-
Nikolay Piskun	Managing Director	01.01.13	31.12.13	579	-	-
Total				**1,053**	**-**	**-**

The Group has estimated 32 employees as of 31 December of 2014 (62 employees as of 31 December 2013).

Note 17. Auditors' fee

All amounts exclude VAT and expressed in thousand NOK.

Year ended 31 December 2014	Audit	Audit related	Other services	Tax related	Total
Norway	491	-	-	-	531
Outside Norway	62	60	-	-	122
Total	**553**	**60**	**-**	**-**	**613**

Year ended 31 December 2013	Audit	Audit related	Other services	Tax related	Total
Norway	289	-	-	-	289
Total	**289**	**-**	**-**	**-**	**289**

Note 18. Financial risk management

The Company and the Group are exposed to credit risk, liquidity risk, interest rate risk, foreign exchange risk and operational risk for the financial instruments the Company and Group have. The Company and the Group does not use derivative financial instruments in connection with management of financial risk management.

Credit risk. The Company has significant credit risk attached to its loans to subsidiaries. The subsidiaries are involved in oil and gas extraction and their ability to repay the loans is dependent on the inherent risk in the subsidiaries operations. There is also additional credit risk related to payment of the gas sold to Komiregiongas, which is the only buyer of gas from the Group's subsidiary OOO Geotechnologia.

Liquidity risk. Most of financial liabilities of the Company and the Group are short-term. The Company and the Group liquidity risk relates to the possibility for future access to necessary funding. Reasonable liquidity risk management will include maintaining certain level of adequacy of cash and liquid assets.

Interest risk. The Company and the Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group does not have a policy of hedging interest rate risk.

Currency risk. The Company and the Group are exposed to the fluctuations in foreign exchange rates. The Company and the Group have not been entered into any hedge agreement to manage the risk as of 31 December 2014 (31 December 2013: same).

Operation risk. The Company and the Group are exposed to operational and technical risks from drilling and production in connection with the licenses in Russia. Technical risk is inherent in the operations and risk of delays in delivering of the equipment from sub-contractors may delay the production. The Group is exposed to risk of changes in raw material prices but did not use any financial instruments to manage the risk.

Note 19. Commitments and Contingencies

Licence compliance. As per the license agreements the Group is obliged:

- to conform to the Russian mineral laws;
- to provide annual geological and geophysical reports to Russian legal authorities;
- to make regular payments to the budget of the cost of production for the right to extract oil and gas;
- to make regular tax payments;
- to conform to other license obligations.

The table below provides the status of compliance with the licenses terms as of 31 December 2014:

Company	License	Expiry date	Compliance situation
OOO Geotechnologia			
	Middle Sedyelskoye field production license	27.02.2030	In compliance
	Middle Sedyelskoye exploration license	31.12.2014	License expired
	Suskinaelskoye field	15.12.2031	In breach
	West Ukhtinskaya	31.01.2023	In breach

The Company has continued the process to execute its license obligations. The Company considers the risk of losing the licenses as low as action is being taken to fulfil the obligations. In accordance with the licence obligations of OOO Geotechnologia, the Company's fully owned subsidiary, the drilling program has been awarded to and initiated by Ukhta Engineering & Geological Centre and the company is in compliance with the licence requirements. Furthermore, the assets are in production with an ongoing offtake agreement with Gazprom.

Note 20. Post Balance Sheet events

Acquisition and share issues

In March 2015 the Company signed a Share Purchase Agreement with Levant Energy Limited to acquire on agreed terms the entire issued share capital of Select Investments Limited which then owned some 27.5% of the issued share capital of Timan Oil and Gas Plc, which is a UK incorporated independent oil and gas exploration and production company with its main assets in the Timan-Pechora region of Western Russia and the Caspian basin. The Company also received the benefit of a subscription agreement to be signed by Levant Energy Limited whereby Levant Energy Limited would subscribe for further shares in Timan Oil and Gas Plc and swop such shares on the same terms as in the Share Purchase Agreement for further new ordinary shares of the Company. In the event the subscription agreement is not signed Levant Energy Limited will subscribe $35m directly into the Company for new ordinary shares on the same agreed terms.

In May 2015 the Company discharged its indebtedness to Levant Energy Limited by the issue of 1,371,159,054 new ordinary shares of the Company in satisfaction of indebtedness of USD 194,978,176 as approved in an Extraordinary General Meeting of the Shareholders of the Company on 11 May 2015.

In May 2015 12,180,594 shares were issued for a capital increase of NOK 3,045,148.

In August 2015 14,009,190 shares were issued for a capital increase of NOK 3,524,797 upon the exercise of 14,009,190 subscription rights.

On 9 October 2015 the Company signed an Investment Agreement with MAC SA under which MAC SA agreed to subscribe for 11,860,000 new ordinary shares in the Company at NOK 1.4 per share totalling NOK 16,604,000. The subscription was approved by shareholders at an Extraordinary General Meeting on 29 October 2015 and is pending completion.

Note 21. Reserves (unaudited)

The Group's reserve volumes have been estimated as of 31.12.2011 by independent consultants in accordance with guidelines developed by the Society of Petroleum Engineers (SPE) in May 2012. The table below summarizes the Group's reserves by the field and the type of license as of 31 December 2014:

		1P+2P Proven& Probable 1 January 2014	Veselovskoye OOO disposal	Production in 2014	1P+2P Proven& Probable 31 December 2014
Exploration fields					
Nikiforovskoye	Production				
Besedinskoye	Production				
Voinskoye	Production				
Middle Sedyelskoye	Production				
Suskanaelskoe	Production				
TOTAL					

The Group's reserves as of 31 December 2014 were not audited by independent consultants.

For the year 2014 the Group extracted 18.7 million m3 of gas (117,500 boe) and for the year 2013 - 40.9 million m3 of gas (257,200 boe) of gas from Middle Sedyelskoye field.

Most of the licenses also include contingent and prospective resources as well as 3P reserves which might mature into proved & probable reserves at a later stage.

Proved Reserves. Proved Reserves are those quantities of petroleum, which by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations.

Probable Reserves. Probable Reserves are those additional Reserves which analysis of geosciences and engineering date indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.

Possible Reserves. Possible Reserves are those additional reserves which analysis of geosciences and engineering data indicate are less likely to be recoverable than Probable Reserves.

1P = Proved Reserves

2P = Proved and Probable Reserves

3P = Proved, Probable and Possible Reserves

***Contingent Resources.* Those quantities of petroleum estimated as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered commercially recoverable due to one more constraints.**

(Thousand NOK)	Note	Year ended 31 December 2014	Year ended 31 December 2013
OPERATING REVENUE AND OPERATING EXPENSES			
Revenue from intercompany services		768	6,015
General and administrative expenses	2	-4,040	-2,210
Impairment of loans to Group companies	8	-25,885	-75,450
Operating loss		**-29,157**	**-71,645**
Interest income from Group companies	3	7,356	25,100
Interest income	3	2	3
Interest expense	3	-846	-8,329
Foreign exchange gain	3	2	23
Foreign exchange loss	3	-2,692	-4,722
Financial items, net	**3**	**3,822**	**12,075**
Loss on disposal of subsidiaries		-57,523	-
Reversal of prior-year's impairment		56,372	-
Loss before income tax		**-26,486**	**-59,570**
Income tax (expense) / benefit	6	-41	-
Loss for the period		**-26,527**	**-59,570**
Other comprehensive income		-	-
Total comprehensive loss for the year		**-26,527**	**-59,570**

(Thousand NOK)	Note	31 December 2014	31 December 2013
ASSETS			
Current assets			
Accounts receivable and prepayments		898	111
Loans to Group Companies	8	5,506	93,374
Cash and cash equivalents	9	299	203
Total current assets		**6,703**	**93,688**
TOTAL ASSETS		**6,703**	**93,688**
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital			
Share capital	10	18,277	16,020
Other paid-in capital		70,434	70,434
Total paid-in capital		**88,711**	**86,454**
Accumulated losses			
Retained earnings and other reserves		-86,097	-59,570
Total accumulated losses		**-86,097**	**-59,570**
TOTAL SHAREHOLDERS EQUITY		**2,614**	**26,884**
Liabilities			
Current liabilities			
Short-term loans	13	10	66,272
Convertible loans		3,192	-
Accounts payable and accruals		608	457
Profit tax payable		41	-
Other taxes and withholdings		10	32
Other payables		228	43
Total current liabilities		**4,089**	**66,804**
TOTAL LIABILITIES		**4,089**	**66,804**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**6,703**	**93,688**

Oslo, 17 December 2015

Atle Karlsvik (Chairman of the Board)

Henrik Wold (Interim CEO)

John Shaw

Rashid Ibrahim

Kristina Stehling

Kirsti Prestmarken

(Thousand NOK)	Note	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/loss before income tax		**-26,486**	**-59,570**
Interest income from Group Companies		-7,356	-25,100
Interest expense		846	8,329
Interest income		-2	-3
Foreign exchange loss		2,690	-4,745
Impairment of loans to Group companies		25,885	75,450
Loss on disposal of subsidiaries		57,523	-
Reversal of prior-year's impairment		-56,372	-
Other finance expense		-681	3,445
Operating cash flows before working capital changes and income tax paid		**-3,953**	**-2,194**
Change in accounts receivable and prepayments		-857	151
Change in accounts payable and accruals		4,634	-25
Change in other taxes payable		20	-27
Net cash generated used in operating activities		**-156**	**-2,095**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Loans to / repayment from subsidiaries		252	-10,640
Net cash generated from / (used in) investing activities		**252**	**-10,640**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		-	12,027
Net cash generated by financial activities		**-**	**12,027**
Change in cash and cash equivalents		**96**	**-708**
Cash and cash equivalents at the beginning of the period		**203**	**911**
Cash and cash equivalents at the end of the period		**299**	**203**

(Thousand NOK)	Note	Share capital	Other paid-in capital	Total paid-in capital	Retained earnings	Total equity
As at 1 January 2013		**16,020**	**70,434**	**86,454**	**0**	**86,454**
Loss for the period		**-**	**-**	**-**	-59,570	**-59,570**
As at 31 December 2013		**16,020**	**70,434**	**86,454**	**-59,570**	**26,884**

	Note	Share capital	Other paid-in capital	Total paid-in capital	Retained earnings	Total equity
As at 1 January 2014		**16,020**	**70,434**	**86,454**	**-59,570**	**26,884**
Subscription rights conversion		2,257	-	2,257	-	**2,257**
Loss for the period		**-**	**-**	**-**	-26,527	**-26,527**
As at 31 December 2014		**18,277**	**70,434**	**88,711**	**-86,097**	**2,614**

Note 1. Accounting policies and effect of new accounting standards

Araca Energy ASA is a public limited company incorporated in Norway. The Company's main office is located in Bryggegaten 14, 0250 Oslo.

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

Basis of preparation. These financial statements of Araca Energy ASA (hereinafter, "the Company" or 'the Parent Company') have been prepared in accordance with the Norwegian Accounting Act §3-9 and the rules for simplified IFRS passed by the Norwegian Finance Ministry 21 January 2008. This implies that recognition and measurement mainly is performed according to International Financial Reporting Standards (IFRS) and presentation and notes to the financial statements are according to the Norwegian Accounting Act and Norwegian generally accepted accounting standards.

These annual financial statements were prepared on a going concern basis. There is as at the date of these financial statements a reasonable expectation that the Group will have adequate resources to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Thus the going concern basis of accounting has been adopted in preparing the financial statements.

At the same time the Board of Directors stresses there are uncertainties related to obtaining future financing and thereby the Groups ability to continue as a going concern.

Foreign currency. The Norwegian kroner (NOK) are the presentation and functional currency of the Parent Company.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks;

Property, plant and equipment. Property, plant and equipment are recorded at historical cost of acquisition and adjusted for accumulated depreciation. All subsequent additions are recorded at historical cost of acquisition and adjusted for accumulated depreciation.

Impairment of assets. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Account receivables. Account receivables and other current receivables are recorded in the balance sheet at nominal value less provisions for expected losses. Provisions for expected losses are based on individual assessments of the each receivable.

Cash and cash equivalents. Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Restricted cash balances are presented separately from cash available for the business to use until such time as restrictions are removed.

Borrowings. Borrowings are recognized initially at the fair value of the liability, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between amount at initial recognition and the redemption amount is recognized as interest expense over the period of the borrowings. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least Year ended after the reporting date.

Warrants. Warrants are equity instrument that allow the holder to subscribe for or purchase a fixed number of ordinary shares in the issuing entity in exchange for a fixed amount of cash or another financial asset. Warrants are initially recognized at fair value less issue cost as part of equity.

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Options. Equity-settled share-based payments are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using the applicable tax rate that has been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax movements are recorded in the income statement except when they are related to the items directly charged to the shareholders’ equity. In this case deferred taxes are recorded as part of the shareholders' equity.

Critical accounting judgements. The preparation of the financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from those estimates. Information about areas of judgment and key sources of uncertainty and estimation is contained in the accounting policies and / or the notes to the financial statements.

The following are the key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Net realizable value of inventories

In determining the net realizable value of inventories, the Company estimates the selling prices, based on published market rates, cost of completion and cost to sell. To the extent that future events impact the saleability of inventory these provisions could vary significantly.

Estimated reserves, resources and exploration potential

Reserves are estimates of the amount of product that can be extracted from the Company's properties, considering both economic and legal factors. Calculating reserves and estimates requires decisions on assumptions about geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, prices and exchange rates.

Measurement of investments into subsidiaries

Investments into subsidiaries are accounted for at cost less impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Measurement of loans into subsidiaries

Loans to subsidiaries are accounted for at amortised cost less impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use.

Note 2. General and administrative expenses

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Consulting costs	1887	580
Business trip expenses	541	14
Rent	446	113
Employees' remuneration	152	672
Communication services	56	28
Bank charges	22	84
Other administrative expenses	936	719
Total general and administrative expenses	**4,040**	**2,210**

Note 3. Finance costs

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Interest income from Group companies	7,356	25,100
Interest income	2	3
Foreign exchange gain	2	23
Interest expense	-846	-8,329
Foreign exchange loss	-2,692	-4,722
Total finance costs	**3,822**	**12,075**

Note 4. Auditors' fee

All amounts exclude VAT.

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Statutory audit	513	289
Total audit fee	**513**	**289**

Note 5. Employees' remuneration

(Thousand NOK)	Year ended 31 December 2014	Year ended 31 December 2013
Salaries	118	598
Social security tax	34	85
Other benefits	-	-11
Total employees' remuneration	**152**	**672**

Also refer to Note 12 and Note 16 in the Consolidated Financial Statements. Araca Energy ASA had 1 employee at the end of 2014 (1 employee as of the end of 2013).

Note 6. Tax expense

(Thousand NOK) **Tax expense**	Year ended 31 December 2014	Year ended 31 December 2013
Loss for the period	-26,486	-59,570
Permanent differences	25,885	75,450
Change in temporary differences	1,102	-
Tax base	**501**	**15,880**
Increased / - Utilized tax losses carried forward from prior years	-351	-15,880
Tax payable at 27%	**41**	**-**

(Thousand NOK) **Basis for deferred tax**	Year ended 31 December 2014	Year ended 31 December 2013	Change
Loss carried forward	**-**	**351**	**-351**
Total basis for deferred tax asset	**-**	**351**	**-351**
Net deferred tax	**-**	**-**	**-**
Deferred tax asset not recognized in the consolidated balance sheet	**-**	**-**	**-**

Note 7. Investments in Group Companies

Company	Date of acquisition	Registered office	Voting share / Ownership	Cost price (MNOK)	Equity 31.12.14 (MNOK)	Profit / -loss 2014
Larchbay Traders & Consultants Ltd.	18.07.2006	Cyprus	100%	153.2	-70.4	0.6
Aladdin Oil & Gas (Cyprus) Ltd.	12.03.2007	Cyprus	100%	0.1	-62.08	-44.8

As of 31 December 2014 the full amount of investments into Company's subsidiaries is impaired.

Note 8. Loans to Group Companies

(Thousand NOK)	Aladdin Oil & Gas Cyprus Limited	Larchbay Traders & Consultants Ltd.	Stikito Limited	Total
Book value 01.01.2013	**-**	**69,968**	**61,816**	**131,784**
Additional loans issued	-	3,866	8,074	11,940
Interest accrued	-	16,968	8,133	25,101
Impairment 2013	-	-65,944	-9,507	-75,451
Book value 31.12.2013	**-**	24,858	**68,516**	**93,374**
Disposal	-	-	-69,366	-69,366
Transfer	24,858	-24,858	-	-
Interest accrued	2,818	3,688	850	7,356
Foreign exchange gain/(loss)	27	-	-	27
Impairment 2014	-22,197	-3,688	-	-25,885
Book value 31.12.2014	**5,506**	**-**	**-**	**5,506**

Note 9. Cash and cash equivalents

(Thousand NOK)	31 December 2014	31 December 2013
Cash at bank	299	203
Total cash and cash equivalents	**299**	**203**

Note 10. Share capital

Refer to Note 11 in the Consolidated Financial Statements.

Note 11. Related party transactions

Most significant related party transactions are disclosed in Note 15 in the Consolidated Financial Statements.

Note 12. Financial risk management

The Company is exposed to credit risk, liquidity risk, interest rate risk, foreign exchange risk and operational risk for the financial instruments the Company has. The Company does not use derivative financial instruments in connection with management of financial risk management.

Credit risk. The Company has significant credit risk attached to its loans to subsidiaries. The subsidiaries are involved in oil and gas extraction and their ability to repay the loans is dependent on the inherent risk in the subsidiaries operations.

Liquidity risk. Most of financial liabilities of the Company is short-term. The Company liquidity risk relates to the possibility for future access to necessary funding. Reasonable liquidity risk management will include maintaining certain level of adequacy of cash and liquid assets.

Interest risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Company does not have a policy of hedging interest rate risk.

Currency risk. The Company is exposed to the fluctuations in foreign exchange rates. The Company has not been entered into any hedge agreement to manage the risk as of 31 December 2014 (31 December 2013: same).

Operation risk. The Company is exposed to operational and technical risks from drilling and production in connection with the licenses in Russia. Technical risk is inherent in the operations and risk of delays in delivering of the equipment from sub-contractors may delay the production. The Company is exposed to risk of changes in raw material prices but did not use any financial instruments to manage the risk.

Note 13. Post Balance Sheet events

Refer to Note 20 in the Consolidated Financial Statements.