



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2018 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	989 307 606
Organisasjonsform:	Allmennaksjeselskap
Foretaksnavn:	ARACA ENERGY ASA
Forretningsadresse:	Professor Dahls gate 19A 0353 OSLO

Regnskapsår

Årsregnskapets periode:	01.01.2018 - 31.12.2018
-------------------------	-------------------------

Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Forenklet IFRS
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	Forenklet IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Harald Sætvedt
Dato for fastsettelse av årsregnskapet:	30.06.2020

Grunnlag for avgivelse

År 2018: Årsregnskapet er elektronisk innlevert
År 2017: Tall er hentet fra elektronisk innlevert årsregnskap fra 2018

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 29.04.2021



Resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Annen driftsinntekt		369 000	566 000
Sum inntekter		369 000	566 000
Kostnader			
Lønnskostnad	5	280 000	271 000
Nedskrivning av varige driftsmidler og immaterielle eiendeler		358 000	2 935 000
Annen driftskostnad	2	1 344 000	1 895 000
Sum kostnader		1 982 000	5 101 000
Driftsresultat		-1 613 000	-4 535 000
Finansinntekter og finanskostnader			
Renteinntekt fra foretak i samme konsern			1 430 000
Annen renteinntekt			4 160 000
Valutagevinst	3	11 000	
Sum finansinntekter		11 000	5 590 000
Annen rentekostnad	3	480 000	333 000
Valutatap	3	1 000	5 000
Annen finanskostnad	3	27 000	33 000
Sum finanskostnader		508 000	371 000
Netto finans		-497 000	5 219 000
Ordinært resultat før skattekostnad		-2 110 000	684 000
Skattekostnad på ordinært resultat			1 025 000
Ordinært resultat etter skattekostnad		-2 110 000	-341 000
Årsresultat		-2 110 000	-341 000
Overføringer og disponeringer			
Udekket tap		-2 110 000	-341 000
Sum overføringer og disponeringer		-2 110 000	-341 000



Balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern	8	2 685 000	
Lån til foretak i samme konsern	9		4 287 000
Sum finansielle anleggsmidler		2 685 000	4 287 000
Sum anleggsmidler		2 685 000	4 287 000
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		749 000	373 000
Sum fordringer		749 000	373 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		23 000	67 000
Sum bankinnskudd, kontanter og lignende		23 000	67 000
Sum omløpsmidler		772 000	440 000
SUM EIENDELER		3 457 000	4 727 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital		369 786 000	369 786 000
Overkurs		1 035 499 000	1 035 499 000
Annen innskutt egenkapital		70 434 000	70 434 000
Sum innskutt egenkapital		1 475 719 000	1 475 719 000



Balanse

Beløp i: NOK	Note	2018	2017
Opptjent egenkapital			
Udekket tap		1 483 598 000	1 481 488 000
Sum opptjent egenkapital		-1 483 598 000	-1 481 488 000
Sum egenkapital		-7 879 000	-5 769 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		542 000	1 055 000
Betalbar skatt		244 000	857 000
Skyldige offentlige avgifter		17 000	75 000
Kortsiktige lån		10 496 000	8 161 000
Annen kortsiktig gjeld		37 000	348 000
Sum kortsiktig gjeld		11 336 000	10 496 000
Sum gjeld		11 336 000	10 496 000
SUM EGENKAPITAL OG GJELD		3 457 000	4 727 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2018	2017
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		369 000	566 000
Sum inntekter		369 000	566 000
Kostnader			
Lønnskostnad	13	270 000	209 000
Generelle adm kostnader	5	1 493 000	8 036 000
Sum kostnader		1 763 000	8 245 000
Driftsresultat		-1 394 000	-7 679 000
Finansinntekter og finanskostnader			
Annen renteinntekt			4 160 000
Sum finansinntekter			4 160 000
Annen rentekostnad		863 000	682 000
Valutatap		87 000	3 285 000
Annen finanskostnad		27 000	39 000
Sum finanskostnader		977 000	4 006 000
Netto finans		-977 000	154 000
Ordinært resultat før skattekostnad		-2 371 000	-7 525 000
Skattekostnad på ordinært resultat	6	0	976 000
Ordinært resultat etter skattekostnad		-2 371 000	-8 501 000
Omregningsdifferanser		-541 000	4 603 000
Årsresultat		-2 912 000	-3 898 000



Konsernets balanse

Beløp i: NOK	Note	2018	2017
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i annet foretak i samme konsern	17	2 685 000	
Lån til foretak i samme konsern	16		4 287 000
Sum finansielle anleggsmidler		2 685 000	4 287 000
Sum anleggsmidler		2 685 000	4 287 000
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer	8	171 000	
Andre fordringer	8	669 000	482 000
Sum fordringer		840 000	482 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende	7	23 000	67 000
Sum bankinnskudd, kontanter og lignende		23 000	67 000
Sum omløpsmidler		863 000	549 000
SUM EIENDELER		3 548 000	4 836 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	9	369 786 000	369 786 000
Overkurs	9	1 035 499 000	1 035 499 000
Annen innskutt egenkapital	9	70 434 000	70 434 000
Sum innskutt egenkapital		1 475 719 000	1 475 719 000



Konsernets balanse

Beløp i: NOK	Note	2018	2017
Opptjent egenkapital			
Valutakonvertering		54 339 000	54 880 000
Annen egenkapital		-1 548 294 000	-1 545 922 000
Sum opptjent egenkapital		-1 493 955 000	-1 491 042 000
Sum egenkapital		-18 236 000	-15 323 000
Sum langsiktig gjeld		0	0
Kortsiktig gjeld			
Leverandørgjeld		11 038 000	7 743 000
Betalbar skatt		244 000	857 000
Skyldige offentlige avgifter		17 000	168 000
Kortsiktige lån		9 417 000	10 039 000
Annen kortsiktig gjeld		1 068 000	1 352 000
Sum kortsiktig gjeld		21 784 000	20 159 000
Sum gjeld		21 784 000	20 159 000
SUM EGENKAPITAL OG GJELD		3 548 000	4 836 000



ARACA ENERGY ASA FINANCIAL STATEMENTS

31 DECEMBER 2018

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

Energy ASA



Contents

Group Financial Statement of Araca Energy ASA

Consolidated Statement of Comprehensive Income	9
Consolidated Statement of Financial Position	10 - 11
Consolidated Statement of Cash Flows	12
Consolidated Statement of Changes in Equity	13
Notes to the Consolidated Financial Statements	14 - 35

Standalone Financial Statement of Araca Energy ASA

Statement of Comprehensive Income	36
Statement of Financial Position	37 - 38
Statement of Cash Flows	39
Statement of Changes in Equity	40
Notes to the Standalone Financial Statements of Araca Energy ASA	41 - 51

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

2



BOARD OF DIRECTORS' REPORT



Operations

Araca Energy ASA (the "Company" or "Araca") is an independent Norwegian exploration and production company engaged in the development and operation of oil and natural gas assets in Russia. In 2018 the Company had ownership interest in Aladdin Oil & Gas (Cyprus) Ltd ("Aladdin"), Culebra Holding Ltd ("Culebra"), Larchbay Traders & Consultants Ltd ("Larchbay") and Select Investment Ltd ("Select") together ("the Group").

Aladdin is a financial investment for Araca and in turn had a minority interest in Culebra which was transferred to Araca in 2018. Culebra owns 100% of the Russian company OOO Geotechnologia ("Geotechnologia") while Larchbay had a minority position in Culebra as its only asset. In 2019, Larchbay's shares in Culebra were transferred to Araca.

Select has a minority interest in Timan Oil & Gas Plc ("Timan"). Timan has one subsidiary, OAO Geotermneftegaz ("Geoterm") and minority ownership interest in Neftegazopromyslovyte Tekhnologii LLC ("NGPT").

The Company's headquarter is located in Oslo, Norway.

Highlights and status

Geotechnologia: On the 28th December 2018 Aladdin completed an Extraordinary General meeting where it was approved to transfer its shareholding of 33.4% in Culebra to Araca. The consideration for the shares was a settlement of inter-company loans. Following this transaction there are no inter-company receivables or liabilities between Aladdin and Araca.

In the beginning of 2019, Larchbay's shareholding in Culebra was transferred to Araca. Consequently, Araca now holds 34.3% of the outstanding shares in Culebra.



In 2018 Geotechnologia owned five exploration and production licenses. The licenses are for Zapadno-Ukhtinskoye, Sredne-Sedyelskoye, Suskinaelskoie, Aiuvinskoye and Vostochno-Sedelskoye, all five are in the Timan Pechora region of the Komi Republic of Russia. The Geotechnologia head office is located in Ukhta, Russia.

The company and its shareholders have put extensive resources into improving and developing operations. The wells have historically been producing natural gas but as a result of the re-drilling of one of the wells, oil was also discovered. Araca reported the discovery of 250 mmBOE of oil (2P, undeveloped) and 100 bcf of gas (2P, undeveloped) on the 26th April 2019. Geotechnologia is currently in the process of implementing a development program and a formal SPE audit of the reserves by a renowned third party. Due to limited funding the process has been slower than anticipated and the company is still in the process of proving the discovery. The company has historically been a Gas company but following these discoveries it has been re-registered as an Oil & Gas company with the relevant authorities.

Timan Oil and Gas Plc: Timan Oil and Gas Plc is a UK incorporated independent oil and gas exploration and production company with two main assets that comprise 25% of Neftgazpromyslovye Tekhnologii Ltd. ("NGPT") in the Timan-Pechora region of Western Russia, and 60% of Geotermneftgaz Open Joint Stock Company ("Geoterm") which holds the Izberbash Exploration Block and Sulak Exploration Block in a near shore shallow water area of the continental shelf of Caspian Sea in the territory of the Republic of Dagestan, Russia.

NGPT: In 2015, Timan entered into a farm-in agreement with OJSC NK Neftisa ("Neftisa"), a major Russian oil & gas group. NGPT has the full technical, commercial and financial support of Neftisa without the requirement for any further investment by Timan and its shareholders. The farm-in agreement entails that Neftisa carries out all work and development of the oil field at its cost against for which it has received 75% of NGPT shares with Timan holding the remaining 25%, with the provision that Timan's stake is non-dilutable irrespective of the investment made. NGPT is in full compliance with all legal and licence requirements. Based on a 2013 Competent Person Report ("CPR"), NGPT has 284MM BOE 2P reserves.

The field has been in the development phase for some time and the local management is assessing further alternatives. Araca has an indirect ownership of NGPT of approximately 5%.

Geoterm: Geoterm has two exploration licenses in the Caspian Sea, in the Russian Republic of Dagestan with the Russian Ministry for Natural Resources. These clean licences are classified as "combined" and allow the licensor to go straight from exploration to production without the need to apply for separate production licences. Geoterm has met its work program requirements and has not carried out any exploration or development activity in 2018 or 2019. The company is under no obligations to carry out any significant works during 2020.

The Company is currently evaluating how to maximise the value of its indirect ownership in Geoterm.



Financial statements 2018: 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 at 31 December 2018.

Consolidated operating revenues for the year ended 31 December 2018 amounted to MNOK 0.4 compared to MNOK 0.6 in the year ended 31 December 2017. For the year ended 31 December 2018 the Group incurred a loss from operations of MNOK 1.4 (for the year ended 31 December 2017 a loss of MNOK 7.7).

The Group's net working capital is negative with MNOK 20.9. (2017: MNOK negative MNOK 19.5). Available cash and cash equivalents as at 31 December 2018 were MNOK 0.1. The Group's current interest-bearing debt as at 31 December 2018 was MNOK 9.4.

As at 31 December 2018, the Group had total assets of MNOK 3.5. Total Shareholders' equity was minus MNOK 18.2.



Board of directors and key management

- At the beginning of 2018 the Board consisted of:
Mr Rashid Ibrahim, Chairman of the Board
Mr Abdulkareem Al Mutawa
Mrs Kristina Stehling
Mrs Olivera Ilincic
- At an Extraordinary General Meeting held in December 2018 Mrs Tatiana Melkaia replaced Mrs Olivera Ilincic as a Director of the Board. The Board now consists of the following directors:
Mr Rashid Ibrahim, Chairman of the Board
Mr Abdulkareem Al Mutawa
Mrs Kristina Stehling
Mrs Tatiana Melkaia

Gender equality: Out of three employees and consultants in the Group as of the year ended 31 December 2018, there is one woman. 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 31 December 2018.

Research & development activities: The Group has not undertaken any research and development (R&D) activities in year ended 31 December 2018.

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 was in 2018 an indirect minority owner of Geotechnologia, an operator of the Group's oil & gas fields in Russia. During drilling, the responsibility for the wells 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 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 2018 or to date.

Financial risk: Mainly, the Group's financial risks are 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 both floating and fixed interest rates, and is therefore exposed to risk in fluctuating interest rate levels. The loans are in Norwegian kroner and in Great Britain Pounds and thus represent a currency risk. The functional and presentation currency for the Group is Norwegian kroner, while the subsidiaries in Cyprus and UAE has presentation currency is US dollars. The Group is therefore exposed to currency risk.

As to liquidity, the Group is in a development phase and has currently low or no revenue. The access to necessary funds to maintain its operation is considered a risk factor. This is planned to be covered through a combination of loans and equity.

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.

Going Concern: Levant Consultants LLP, that represents 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. In 2018 Levant (and related parties) has provided funding for the Company of c. NOK 3.8 million which has been sufficient to repay outstanding debts and to cover all administration and operational costs in the period. The Board of Directors' intention is to maintain the Company as a going concern and the financial statements have been prepared based on the going concern assumption.

Outlook: The Company will continue to actively take part in the development of its current indirectly owned assets. Araca will support the local management operationally as well as strategically and evaluate closely the requirement for additional financial investments.

The Company is actively evaluating opportunities to grow inorganically. Araca focuses on onshore opportunities with active production or late stage development with limited requirement for further capital expenditure but are evaluating a wide range of assets. The target is to add assets with cash flow contribution that represent accretion to the shareholders. Consideration for such acquisitions will be sought through partners, new debt or the issuance of new shares in the Company.



Araca aims to be a material owner of Oil & Gas assets and the goal is to list the Company's shares on a reputable stock exchange.

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 2018 of MNOK 2.1 (2017: MNOK 0.3).

The Board propose to post the loss to accumulated losses.

Oslo, 12th June 2020

Rashid M. Ibrahim (Chairman of the Board)

Harald Sætvedt (CEO)

Kristina Stehling

Tatiana Melkaia

Abdulkareem Al Mutawa



Consolidated Statement of Comprehensive Income for the year ended 31 December 2018



Thousand NOK	Note	Year ended 31 December 2018	Year ended 31 December 2017
OPERATING REVENUE AND OPERATING EXPENSES			
Revenue		369	566
Gross profit		369	566
Salaries	13	-270	-209
General and administrative expenses	5	-1,493	-8,036
Operating loss		-1,394	-7,679
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Foreign exchange loss, net		-87	-3,285
Interest income from associated companies		-	4,160
Interest expense		-863	-682
Other financial income		-27	-39
Financial items, net		-977	154
Profit/(loss) before income tax		-2,371	-7,525
Income tax expense	6	-	-976
Profit/(loss) for the period		-2,371	-8,501
Other comprehensive income			
Effect of translation to presentation currency		-541	4,603
Other comprehensive income for the year, net of tax		-541	4,603
Total comprehensive loss for the year		-2,912	-3,898
Weighted average number of ordinary shares - basic	11	1,479,145,770	1,479,145,770
Weighted average number of ordinary shares - diluted	11	1,494,520,770	1,494,520,770
Loss for the period per ordinary share - basic	11	0.00	0.00
Loss for the period per ordinary share - diluted	11	0.00	0.00
Total comprehensive loss per share - basic	11	0.00	0.00
Total comprehensive loss per share - diluted	11	0.00	0.00

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

9



Consolidated Statement of Financial Position as at 31 December 2018



Thousand NOK	Note	31 December 2018	31 December 2017
ASSETS			
Tangible fixed assets			
Investment in associated companies	4, 17	2,685	-
Loan to associated companies	16	-	4,287
Total tangible fixed assets		2,685	4,287
Total non-current assets		2,685	4,287
Current assets			
Trade receivables	8	171	-
Other receivables	8	669	482
Cash and cash equivalents	7	23	67
Total current assets		863	549
TOTAL ASSETS		3,548	4,836
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholder's equity			
Paid-in capital			
Share capital	9	369,786	369,786
Share premium account	9	1,035,499	1,035,499
Other paid-in capital	9	70,434	70,434
Total paid-in capital		1,475,719	1,475,719
Accumulated losses			
Effect of translation to presentation currency		54,339	54,880
Accumulated losses and other reserves		-1,548,294	-1,545,922
Total accumulated losses		-1,493,955	-1,491,042
TOTAL EQUITY		-18,236	-15,323

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

10



Consolidated Statement of Financial Position as at
31 December 2018



Thousand NOK	Note	31 December 2018	31 December 2017
Liabilities			
Current liabilities			
Short-term loans		9,417	10,039
Trade accounts payable		11,038	7,743
Income taxes payable		244	857
Other taxes payable		17	168
Other payables		1,068	1,352
Total current liabilities		21,784	20,159
TOTAL LIABILITIES		21,784	20,159
TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES		3,548	4,836

Rashid M. Ibrahim (Chairman of the Board)

Harald Sætvedt (CEO)

Kristina Stehling

Tatiana Melkaia

Abdulkareem Al Mutawa



Consolidated Statement of Cash Flows for the year ended 31 December 2018

Thousand NOK	Note	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss before income tax		-2,374	-7,525
Change in fair value of financial instruments		-443	4,844
Finance expense, net		863	-3,478
Foreign exchange gain/ (loss), net		-550	3,052
Operating cash flows before working capital changes and income tax paid		-2,504	-3,107
Working capital changes		3,228	3,794
Net cash used in operating activities		724	687
CASH FLOWS FROM INVESTING ACTIVITIES:			
Effect of changes in group structure		-	-5,796
Net cash used in investing activities		-	-5,796
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		-410	-33
Loan to associated companies		-358	-652
Net cash generated by financial activities		-768	-685
Foreign exchange gain on cash balances		-	-
Change in cash and cash equivalents		-44	-5,794
Cash and cash equivalents at the beginning of the period	7	67	5,861
Cash and cash equivalents at the end of the period	7	23	67

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

12



Consolidated Statement of Changes in
Equity for the year ended 31 December 2018



	Share capital	Share premium	Other paid-in capital	Total paid-in capital	* Effect of translation	Retained earnings	Total equity
As at 1 January 2017	369,786	1,035,499	70,434	1,475,719	46,044	-1,527,191	-5,428
Effect changes in structure	-	-	-	-	4,233	-10,230	-5,997
Profit/(loss) for the period	-	-	-	-	-	-8,501	-8,501
Effect of translation to presentation currency	-	-	-	-	1,603	-	1,603
As at 31 December 2017	369,786	1,035,499	70,434	1,475,719	54,880	-1,545,922	-15,323

	Share capital	Share premium	Other paid-in capital	Total paid-in capital	* Effect of translation	Retained earnings	Total equity
As at 1 January 2018	369,786	1,035,499	70,434	1,475,719	54,880	-1,545,922	-15,323
Profit/(loss) for the period	-	-	-	-	-	-2,371	-2,371
Effect of translation to presentation currency	-	-	-	-	-541	-	-541
As at 31 December 2018	369,786	1,035,499	70,434	1,475,719	54,339	1,548,293	-18,236

* Effect of translation to presentation currency reserve



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 Nedre Slottsgate 4, 0157 Oslo. The list of subsidiaries is presented in Note 3.

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 Ministry of Finance 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 2018.

These consolidated annual financial statements were prepared on a going concern basis. There is 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.

Financial Objectives, Policies and Processes: The Company's financial objective is to address the need for capital in order to ensure the appropriateness of adopting the going concern basis for the preparation of the Company's accounts and to ensure liquidity in the business in both the short and the longer term. This is achieved by support from key shareholders with a short term objective of raising modest new capital to develop the Company's assets into profitability and in the longer term to identify and acquire by the issue of new capital further substantial assets.



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 UAE and Cyprus subsidiaries are measured in United States Dollar.

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 2018	31 December 2017
Exchange rate as at reporting date		
Russian Roubles/NOK	8.01	7.01
Russian Roubles/USD	69.60	60.66
NOK/USD	8.69	8.21
Average exchange rate		
Russian Roubles/NOK	7.71	7.06
Russian Roubles/USD	62.71	67.03
NOK/USD	8.13	8.26

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.

Financial instruments. The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which



substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss. A financial asset is classified at fair value through profit or loss -category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables. Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss for the period. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

(ii) Non-derivative financial liabilities - measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings as well as trade and other payables.

(iii) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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 (subscription rights). 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.

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. Tax-able 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 tax-able 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.

Valuation of Financial Assets. The valuation of the Company's investments are subject to key sources of estimation uncertainty which may be material and which comprise, inter alia, reliance on information supplied by investee companies which comprise their plans and programmes for the development of their assets, reliance on various reports and valuations which were not prepared for the Company but which are relevant in estimating value and key assumptions concerning discount rates, exchange rates and the future price of oil and gas.

Note 2 — Application of new IFRSs

At the date of authorization of these consolidated financial statements for the year ended December 31, 2018, the following standards which are applicable to the Group were issued but not yet effective.

IFRS 16, Leases. IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.



The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group is assessing the potential impact on its consolidated financial statements.

Note 3— Subsidiaries

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

Company	Parent company	% of ownership	Country
31 December 2018			
Larchbay Traders & Consultants Ltd.	Araca Energy ASA	100%	Cyprus
Select Investments Limited	Araca Energy ASA	100%	UAE
31 December 2017			
Larchbay Traders & Consultants Ltd.	Araca Energy ASA	100%	Cyprus
Select Investments Limited	Araca Energy ASA	100%	UAE



Note 4 — Financial investments

i. Timan Oil & Gas plc

Currently Select Investments Limited owns 21.3% of the issued share capital of Timan Oil and Gas Plc. Select Investments Limited is a single purpose company that holds the shares of Timan Oil and Gas Plc. and has no other assets or liabilities. The Management believes that it is appropriate to recognize the investment in Timan Oil and Gas Plc. as a financial instrument as the Company does not have a significant influence on Timan Oil and Gas Plc.

Timan Oil and Gas Plc is a UK incorporated independent oil and gas exploration and production company with two main assets that currently comprise 25% of Neftegazopromyslovye Tekhnologii Ltd. ("NGPT") in the Timan-Pechora region of Western Russia, and 60% of Geotermneftegaz Open Joint Stock Company ("Geoterm"), which holds the Izberbash Exploration Block and Sulak Exploration Block in a near shore shallow water area of the continental shelf of Caspian Sea in the territory of the Republic of Dagestan, Russia.

The value of the shares in Timan were set to zero at the end of 2016 due to the lack of financial statements in the company. In December 2018, Deloitte UK confirmed the audited historical figures for Timan. However this only included post balance sheet items for 2017. The audited figures for 2017, 2018 and 2019 are expected to be completed in 2020. Based on an evaluation of the progress the Company still finds itself in a position where there is a lack of financial information, albeit less than at the end of 2016, and a sound valuation of its ownership in Timan Oil & Gas Plc is challenging. Thus, the Company maintains to value its shares in Timan Oil & Gas Plc to zero as of end of 2018. The Company will continue to work with Timan Oil & Gas Plc to achieve the proper financial data and believes that there might be significant value to be generated from this investment.

ii. Culebra Holding Ltd

As per end 2018, Araca owned 33.4% of Culebra and an additional 0.9% through its subsidiary Larchbay. In February 2019 all ownership was transferred to Araca. Araca is represented in Culebra's Bord of Directors but does not have control of the company. Thus, the Management believes Culebra should be recognized as a financial investment.

iii. Aladdin Oil & Gas (Cyprus) Ltd

As per end 2018, Araca owned 47.6% of the issued share capital of Aladdin. Aladdin's 33.4% ownership in Culebra Holding Ltd, which again owned 100% of the shares in 000 Geotechnologia, was transferred to Araca in December 2018 against settlement of inter-company loans.

The Management believes that it is appropriate to recognize the investment in Aladdin as a financial instrument as the Company does not control the company.



Note 5 — General and administrative expenses

Thousand NOK	Year ended 31 December 2018	Year ended 31 December 2017
Consulting costs	1,036	301
Rent	247	494
Taxes other than income tax	-	-
Business trip expenses	7	28
Allowance for doubtful debts	-453	4,839
Other administrative expenses	656	2,374
Total general and administrative expenses	1,493	8,036

Note 6 — Income tax

Thousand NOK	Year ended 31 December 2018	Year ended 31 December 2017
Tax payable	-	-857
Change in deferred tax/correction from 2016	-	-119
Tax expense	-	-976



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

Thousand NOK	Year ended 31 December 2018	Year ended 31 December 2017
Profit/ (loss) before income tax	-2,372	-7,525
Theoretical tax benefit and expense at tax rate 23% applicable to Parent Company	545	1,806
Effect of tax rates in different jurisdictions	-58	-721
Unrecognised deferred tax assets	-	-
Other unrecognised deferred income tax asset movements	-487	-2,061
Total income tax expense	-	-976

Thousand NOK	Year ended 31 December 2018	Year ended 31 December 2017
Temporary differences		
Licenses	-	-
Shares in associated companies	-1,377,561	-1,371,244
Loans to associated companies	-861	-280,935
Tax losses to be carried forward	-6,567	-
Total temporary differences	-1,384,989	-1,652,179
Basis deferred tax	-1,384,989	-1,652,179
Deferred tax (liability)/ asset	304,698	363,479
Net deferred tax	304,698	363,479
Deferred tax asset not recognized in the consolidated statement of financial position	304,698	363,479

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

	Year ended 31 December 2018	Year ended 31 December 2017
Parent Company	23%	24%
Cyprus subsidiaries	12.5%	12.5%



Note 7 — Cash and cash equivalents

Thousand NOK	31 December 2018	31 December 2017
Cash at bank	23	67
Cash on hand	-	-
Total cash and cash equivalents	23	67

Note 8 — Accounts receivable and prepayments

Thousand NOK	31 December 2018	31 December 2017
Trade receivables	171	-
Receivables from group companies	-	-
Advances to suppliers and prepayments	260	216
VAT recoverable and prepaid	200	17
Other receivables	209	249
Total accounts receivable and prepayments	840	482

Note 9 — Share capital

Thousand NOK	31 December 2018	31 December 2017
Number of issued ordinary shares	1,479,145,808	1,479,145,808
Par value (in NOK)	0.25	0.25

Fully paid-in ordinary share capital

	Number of shares registered
Balance at 1 January 2017	1,479,145,808
-	-
Balance at 31 December 2017	1,479,145,808
-	-
Balance at 31 December 2018	1,479,145,808

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

29



Company's 10 largest shareholders as of 31 December 2018:

	Type	Number of shares	Country	% of ownership
Union Bancaire Privee, UBP SA	NOM	681 581 623	Switzerland	46 %
CACEIS Bank	NOM	363 085 086	Switzerland	25 %
SIX SIS AG	NOM	130 266 716	Switzerland	9 %
PERSHING LLC	NOM	58 140 012	USA	4 %
Brown Brothers Harriman & Co.		52 674 648	USA	4 %
Citibank Europe plc	NOM	50 000 000	Luxembourg	3 %
Euroclear Bank S.A./N.V.	NOM	42 113 253	Belgium	3 %
NORGESKRAFT AS		24 748 415	Norway	2 %
HÅPET INVEST AS		13 030 382	Norway	1 %
A. S. M. INVESTMENTS (UK) LTD.		8 900 000	United Kingdom	1 %
Subtotal		1 424 540 135		96 %
Other shareholders		54 605 673		4 %
Total issued shares as of 31 December 2018		1,479,145,808		100 %

Warrants: The Company has established warrant programs that entitles key management personnel and members of the Board of Directors to purchase shares in the Company. In 2015, 15,375,000 warrants were issued with strike price of NOK 0.50, exercisable between 31.12.16 and 1.1.20. None of the warrants were exercised as per 31 December 2018 and expired 1.1.20. As of 26.06.19 15,000,000 warrants were issued with a strike price of NOK 0.15, exercisable between 26.06.19 and 26.06.23.

Name	Number of warrants
Atle Karlsvik v/Access AS	3,500,000
Rashid M. Ibrahim	2,375,000
John R. Shaw	2,375,000
Kirsti B. Prestmarken	2,375,000
Kristina Stehling	2,375,000
Henrik Wold v/Witwatersrand AS	2,375,000
Total issued warrants as of 31 December 2018	15,375,000

Note 10 — 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.



Note 11— Earnings per share

Thousand NOK	Year ended 31 December 2018	Year ended 31 December 2017
Profit/ (loss) for the period	-2,371	-8,501
Total comprehensive income	-2,912	-3,898
Weighted average number of ordinary shares - basic	1,479,145,770	1,479,145,770
Effect of warrants (subscription rights)	15,375,000	15,375,000
Weighted average number of ordinary shares - diluted	1,494,520,770	1,494,520,770
Profit/ (loss) from continuing operations per ordinary share - basic	-0.002	-0.006
Profit/ (loss) from continuing operations per ordinary share - diluted	-0.002	-0.006
Total comprehensive loss per share - basic	-0.002	-0.003
Total comprehensive loss per share - diluted	-0.002	-0.003

Note 12 — 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 3), key management personnel (Note 13) and shareholders (Note 9).

Shares and warrants held by members of the Board and CEO, as at 31 December:

Name		Shares		Warrants	
		2018	2017	2018	2017
Mr. Rashid Ibrahim	Chairman	-	-	2,375,000	2,375,000
Mr. Abdulkareem Al Mutawa	Board member	64,340,000	64,340,000	-	-
Mrs. Kristina Stehling	Board member	-	-	2,375,000	2,375,000
Mrs. Tatiana Melkaia	Board member	-	-	-	-
Mr. Harald Særtvedt	CFO	440,000	-	-	-
Total		64,780,000	64,340,000	4,750,000	4,750,000



Note 13 — 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:

Type of remuneration (Thousand NOK)	Year ended 31 December 2018	Year ended 31 December 2017
Salaries	189	124
Social security tax	43	85
Other	38	0
Total employees' remuneration	270	209

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

Thousand NOK	Title	From	To	Salary	Remuneration	Other expenses
Year ended 31 December 2018						
Harald Sætvedt ¹⁾	CEO of Araca	1.1.2018	31.12.2018	-	566	-
Tatiana Melkaia	Board member	1.1.2018	31.12.2018	189	-	6
Total				189	566	6

¹⁾ Harald Sætvedt is engaged as consultant through his company Alpine Resources AS.

See note 12 for freestanding subscription rights (warrants) issued to board and the interim CEO.

The Group has estimated 3 employees and consultants as of 31 December of 2018 (3 employees as of 31 December 2017).



Note 14 — Auditors' fee

All amounts exclude VAT and expressed in thousand NOK.

	Audit	Audit related	Other services	Total
Year ended 31 December 2018				
Norway	236	-	-	236
Norway, correction 2016	-260	-	-	-260
Outside Norway	30	-	-	30
Total	6	-	-	6
Year ended 31 December 2017				
Norway	621	-	-	621
Outside Norway	57	-	-	57
Total	678	-	-	678

Note 15 — 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.

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 2018 and 31 December 2017.

Note 16 — Loans to associated companies

Thousand NOK	Aladdin Oil & Gas Cyprus Limited	Larchbay Traders & Consultants Ltd.	Total
Book value 1.1.2018	4,287	-	4,287
Additional loans issued	-	161	161
Settlement/ converted to shares in Culebra	-4,287	-	-4,287
Interest accrued	-	-	-
Foreign exchange gain/(loss)	-	-	-
Fair value adjustment 2018	-	-161	-161
Book value 31.12.2018	-	-	-

Note 17 — Investment in associated companies

Company	Registered office	Voting share / Ownership	Book value 31.12.18 (MNOK)
Culebra Holding Limited	Cyprus	33.9%	2.7

Note 18 — Going concern

Levant Consultants LLP, that represents 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. In 2018 Levant (and related parties) has provided funding for the Company of c. NOK 3.8 million which has been sufficient to repay outstanding debts and to cover all administration and operational costs in the period. The Board of Directors' intention is to maintain the Company as a going concern and the financial statements have been prepared based on the going concern assumption.



Note 19 — Events after the reporting period

2019: In February 2019 it was agreed that Larchbay's shares in Culebra should be transferred to Araca. The consideration was the intercompany loan from Araca to Larchbay. Following this transaction all shares in Culebra held by related companies or subsidiaries has been transferred to Araca. Araca now owns 34.3% of Culebra.

At the Annual General Meeting held on the 26th June 2019 the Board members, the CEO and certain other supporting consultants were awarded in total 15,000,000 warrants. The warrants gives the holder a right to subscribe to one new share at a par value of NOK 0.01 against a payment of NOK 0.15. The warrants are exercisable until 26th June 2023.

At the same Annual General Meeting Araca entered into a convertible loan with Levant Consultants LLP owned by its main shareholder. The nominal amount of the loan shall be maximum NOK 20,000,000. NOK 9,535,000 of the loan had already been paid out. Payment of the remaining part of the loan, NOK 10,465,000 shall be made in tranches upon further agreement between the lender and borrower. The loan carries an interest of 10% per annum. The subscription price on conversion of the loan shall be the lowest of i) NOK 0.10 per share and ii) 20% discount of the average closing price the last 90 business days before the conversion notice is given.

Further details of the warrants and the convertible loan is available in the summons for the Annual General Meeting available on Araca's website.



Income Statement for the
year ended 31 December 2018



Thousand NOK	Note	Year ended 31 December 2018	Year ended 31 December 2017
OPERATING REVENUE AND OPERATING EXPENSES			
Other revenue		369	566
General and administrative expenses	2	-1,623	-2,266
Write down loans to Group companies	9	-358	-2,835
Operating income/ (loss)		-1,613	-4,535
Interest income from Group companies	3	-	1,430
Interest income	3	-	4,160
Interest expense	3	-480	-333
Foreign exchange gain	3	11	-
Foreign exchange loss	3	-1	-5
Other finance expense	3	-27	-33
Financial items, net		-497	5,219
Profit/ (loss) before income tax		-2,110	684
Income tax (expense) / benefit	6	-	-1,025
Profit/ (loss) for the period		-2,110	-341
Other comprehensive income		0	0
Total comprehensive profit/ (loss) for the year		-2,110	-341

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

36



Statement of Financial Position
as at 31 December 2018



Thousand NOK	Note	31 December 2018	31 December 2017
ASSETS			
Financial non-current assets			
Financial investment	8	2,685	-
Total financial non-current assets		2,685	-
Total non-current assets		2,685	-
Current assets			
Accounts receivable and prepayments		750	373
Receivables from Group Companies	9	-	4,287
Cash and cash equivalents	10	23	67
Total current assets		773	4,727
TOTAL ASSETS		3,457	4,727
SHAREHOLDERS EQUITY AND LIABILITIES			
Shareholders' equity			
Paid-in capital			
Share capital	11	369,786	369,786
Share premium account		1,035,499	1,035,499
Other paid-in capital		70,434	70,434
Total paid-in capital		1,475,719	1,475,719
Accumulated losses			
Retained earnings and other reserves		-1,483,598	-1,481,488
Total accumulated losses		-1,483,598	-1,481,488
TOTAL SHAREHOLDERS EQUITY		-7,879	-5,769

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

37



Statement of Financial Position
as at 31 December 2018



Thousand NOK	Note	31 December 2018	31 December 2017
Liabilities			
Current liabilities			
Short-term loans		10,496	8,161
Accounts payable and accruals		542	1,055
Profit tax payable		244	857
Other taxes and withholdings		17	75
Other payables		39	348
Total current liabilities		11,338	10,496
TOTAL LIABILITIES		11,338	10,496
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		3,457	4,727

Rashid M. Ibrahim (Chairman of the Board)

Harald Sætvedt (CEO)

Kristina Stehling

Tatiana Melkaia

Abdulkareem Al Mutawa



Statement of Cash Flows for the year ended 31 December 2018



Thousand NOK	Note	Year ended 31 December 2018	Year ended 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit/(loss) before income tax		-2,110	684
Interest income from Group Companies		-	-1,430
Interest expense		480	333
Interest income		-	-4,160
Foreign exchange loss		-10	5
Change in fair value of financial instruments		358	2,835
Impairment of loans to Group companies		-	-
Loss on disposal of subsidiaries		-	-
Other finance expense		27	33
Operating cash flows before working capital changes and income tax paid		-1,225	-1,700
Change in accounts receivable and prepayments		-377	728
Change in accounts payable and accruals		1,962	2,235
Change in other taxes payable		-	-168
Net cash used in operating activities		330	1,095
CASH FLOWS FROM INVESTING ACTIVITIES:			
Repayment of loans issued to subsidiaries		-	-652
Loans to / repayment from subsidiaries		-358	-124
Net cash used in investing activities		-358	-776
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		-27	-33
Foreign exchange loss		-11	-244
Receipts from issuing new shares		0	0
Net cash generated by financial activities		-16	-277
Change in cash and cash equivalents		-44	42
Cash and cash equivalents at the beginning of the period		67	25
Cash and cash equivalents at the end of the period		23	67

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

39



Statement of Changes in Equity for the
year ended 31 December 2018



	Note	Share capital	Share premium	Other paid-in capital	Total paid-in capital	Retained earnings	Total equity
As at 1 January 2017		369,786	1,035,499	70,434	1,475,719	-1,481,147	-5,428
Profit/(loss for the year)		-	-	-	-	-341	-341
As at 31 December 2017		369,786	1,035,499	70,434	1,475,719	-1,481,488	-5,769
As at 1 January 2018		369,786	1,035,499	70,434	1,475,719	-1,481,488	-5,769
Profit/(loss for the year)		-	-	-	-	-2,110	-2,110
As at 31 December 2018		369,786	1,035,499	70,434	1,475,719	-1,483,598	-7,879

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

40



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 Nedre Slottsgate 4, 0157 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 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 (Subscription rights). 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.

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.

Financial instruments. The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.



Financial assets at fair value through profit or loss. A financial asset is classified at fair value through profit or loss -category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables. Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents. Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in other comprehensive income is reclassified to profit or loss for the period. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

(ii) Non-derivative financial liabilities - measurement

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.



Other financial liabilities comprise loans and borrowings as well as trade and other payables.

(iii) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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 2018	Year ended 31 December 2017
Consulting costs	1,332	921
Rent	247	494
Employees' remuneration	280	271
Business trip expenses	7	29
Communication services	23	4
Bank charges	2	8
Other administrative expenses	-268	539
Total general and administrative expenses	1,623	2,266



Note 3 — Finance costs

Thousand NOK	Year ended 31 December 2018	Year ended 31 December 2017
Interest income from Group companies		1,430
Interest income		4,160
Change in fair value of financial instruments		-
Foreign exchange gain/ (loss)	10	-5
Interest expense	-480	-333
Other finance expense	-27	-33
Total finance costs	-497	5,219

Note 4 — Auditors' fee

Thousand NOK (all amounts exclude VAT)	Year ended 31 December 2018	Year ended 31 December 2017
Statutory audit	284	621
Correction from 2016	-260	-
Total audit fee	24	621

Note 5 — Employees' remuneration

Thousand NOK	Year ended 31 December 2018	Year ended 31 December 2017
Salaries	185	124
Social security tax	43	75
Other benefits	49	36
Other staff costs	3	36
Total employees' remuneration	280	271

Also refer to Note 12 and Note 13 in the Consolidated Financial Statements. Araca Energy ASA had 3 employees at the end of 2018 (3 employees as of the end of 2017).



Note 6 — Tax expense

Thousand NOK	Year ended 31 December 2018	Year ended 31 December 2017
Profit/(loss) for the period	2,110	684
Permanent differences	1	52
Change in temporary differences	-4,457	2,835
Tax base	-6,566	3,571
Tax payable at 23%	-	857
Correction 2016	-	168
Tax expense	-	1,205

The Company corporate tax rate was 23% in 2018 and 24% in 2017.

Note 7 — Investments in Group Companies

Company	Date of acquisition	Registered office	Voting share/ Ownership	Cost price (MNOK)	Equity 31.12.18 (MNOK)	Profit/ -loss 2018
Larchbay Traders & Consultants Ltd.	18.07.2006	Cyprus	100%	153	-83.8	-0.5
Select Investments Limited	19.03.2015	UAE	100%	1,371	-	-

As of 31 December 2018 the full amount of investments into Larchbay Traders & Consultants Ltd. and Select Investments Limited are impaired.

Note 8 — Financial investment.

See note 4 and 17 in the Consolidated Financial Statements.



Note 9 — Loans to Group and Associated Companies

Thousand NOK	Aladdin Oil & Gas Cyprus Limited	Larchbay Traders & Consultants Ltd.	Total
Book value 31.12.2016	-	-	-
Additional loans issued	127	124	251
Repayment of loans issued	-	-	-
Interest accrued	4,161	1,430	5,590
Foreign exchange gain/(loss)	-	-	-
Write down 2017	-	-1,554	-1,554
Book value 31.12.2017	4,287	-	4,287
Additional loans issued	-	161	161
Settlement/ converted to shares in Culebra	-4,287	-	-4,287
Interest accrued	-	-	-
Foreign exchange gain/(loss)	-	-	-
Write down 2018	-	-161	-161
Book value 31.12.2018	-	-	-

Note 10 — Cash and cash equivalents

Thousand NOK	31 December 2018	31 December 2017
Cash at bank	23	67
Total cash and cash equivalents	23	67

Note 11 — Share capital

Refer to Note 9 in the Consolidated Financial Statements.

Note 12 — Related party transactions

In 2018 the Company received revenue for management services provided to Timan Oil & Gas Plc and Aladdin Oil & Gas (Cyprus) Ltd. in the amount of 0.197 MNOK (2017: 0.238 MNOK).



Most significant related party transactions are disclosed in Note 12 and 13 in the Consolidated Financial Statements.

Note 13 — 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 entered into any hedge agreements to manage the risk as of 31 December 2018 or 31 December 2017.

Note 14 — Events after the reporting period

Refer to Note 19 in the Consolidated Financial Statements.

Note 15 — Guarantees

The Company has issued a guarantee committing to financially support its subsidiary Larchbay for 12 months.



Moore DA
Tullins gate 2
N-0166 Oslo
T +47 22 98 15 40
E info@moore-norway.no
Org.nr. NO 964 207 380 MVA
www.moore-norway.no

To the General Meeting of
Araca Energy ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Adverse opinion

We have audited the financial statements of Araca Energy ASA, which comprise:

- The financial statements of the parent company Araca Energy ASA (the Company), showing a comprehensive loss for the year of NOK 2,110,000, and which comprise the balance sheet as at December 31, 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Araca Energy ASA and its subsidiaries (the Group), showing a comprehensive loss for the year of NOK 2,912,000, and which comprise the balance sheet as at December 31, 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The accompanying financial statements are, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, not prepared in accordance with laws and regulation and do not give a true and fair view of the financial position of the Company as at December 31, 2018, or of its financial performance and its consolidated cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements are, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, not prepared in accordance with laws and regulation and do not give a true and fair view of the financial position of the Group as at December 31, 2018, or of its financial performance or its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

It is our opinion that the financial statements for 2018 should not be approved in their current form.



Basis for Adverse Opinion

For investments in associated companies, valued at NOK 2,685,000 in the balance sheet of the Company and at NOK 2,685,000 in the balance sheet of the Group, the provided documentation is insufficient for our assessment of the valuation and other accounting assertions.

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Because of the significance of the matter described in the *Basis for Adverse Opinion* section of our report on the financial statements, we do not express an opinion about the information in the Board of Directors' report.

Material Uncertainty Related to Going Concern

We draw attention to the statement of changes in equity, the Board of Directors' report in the financial statements and Note 17 in the Group Financial Statement, which indicates that the Company incurred a net comprehensive loss of NOK 2,110,000 during the year ended December 31, 2018 and, as of that date, the Company's liabilities exceeded its total assets by NOK 7,879,000. In the same time period, the Group has incurred a net comprehensive loss of NOK 2,912,000 and, as of that date, the Group's liabilities exceeded its total assets by NOK 18,236,000.

As stated in Note 17 and the Board of Directors' report, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on Other Legal and Regulatory Requirements

Adverse opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management, because of delayed preparation and lack of vital documentation, has not fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Other

The financial statements have been submitted after the expiry of the statutory limit for preparation of financial statements.

Oslo, June 12, 2020

MOORE DA


Bjørn M. Naustheller
State Authorized Public Accountant



**ARACA ENERGY ASA
OSLO, NORWAY**

Company Registration
Number: 989 307 606
ISIN: NO0010318405
Ticker: ARACA
List: NOTC A-LIST,
Oslo, Norway

CEO: Mr Jan Harald Skjelderup Sætvedt
Chairman: Mr Rashid M. Ibrahim

Directors:
Mr Abdulkareem Al-Mutawa
Ms Kristina Stehling
Ms Tatiana Melkaia

Group Auditor:
Moore Stephens DA
Oslo, Norway

Authorized Accountant:
View Ledger AS
Oslo, Norway

Bank:
Sparebank 1 SR Bank
Stavanger, Norway
IBAN: NO7032072111566
BIC: SPRONO22

Registrar:
DNB Bank ASA
Oslo, Norway



Skattedirektoratet

Saksbehandler Torstein Kinden Helleland	Deres dato 30.01.2012	Vår dato 01.03.2012
Telefon 22078139	Deres referanse Britt Kollstrøm	Vår referanse 2012/92546

ALADDIN OIL & GAS COMPANY ASA
Øvre Slottsgate 14
0157 OSLO

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Aladdin Oil & Gas Company ASA, org. nr. 989 307 606

Det vises til deres brev av 30. januar 2012 samt telefonsamtale i sakens anledning. Det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Aladdin Oil & Gas Company ASA.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Aladdin Oil & Gas Company ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd.

Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Bakgrunn

Aladdin Oil & Gas Company ASA er et norsk holdingselskap som er notert på OTC-listen. Hovedaksjonær er det britiske selskapet Waterford Ltd med en eierandel på 60 %. Ca. 9 % av aksjene er eid av norske investorer som består av profesjonelle og private investorer. Ca 91 % av aksjene er således på utenlandske hender.

Aladdin Oil & Gas Company ASA har som formål å investere i olje- og gassvirksomhet i Russland. Selskapet er et lete- og produksjonsselskap med 100 % eierandel i de russiske oljeselskapene 000 Geotechnologia i Ukhta og 000 Veselovskoye i Orenburg. Disse selskapene eies gjennom to datterselskaper på Kypros, Larchbay Traders Ltd og Stikito Ltd. Aladdin Oil & Gas Company ASA i Oslo fungerer kun som et morselskap uten operasjonell drift, og har pr. dato tre ansatte.

Styret har medlemmer som er utenlandske statsborgere. Selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk. Konsernet er engelskspråklig og utarbeider sine regnskapsdokumenter på engelsk, blant annet av konsolideringshensyn. Arbeidsspråket i selskapet er også engelsk. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

Postadresse Postboks 9200 Grønland 0134 Oslo For elektronisk henvendelse se www.skatteetaten.no	Besøksadresse Se www.skatteetaten.no Org. nr: 996250318	Sentralbord 800 80 000 Telefaks 22 17 08 60
---	--	--



2012/92546 Side 2 av 2

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at selskapet i det vesentlige er eid fra utlandet og at hovedaksjonær med 60 % eierandel er britisk. All operasjonell drift foregår i datterselskapene i utlandet. Selskapets arbeidsspråk er engelsk og all kommunikasjon skjer på engelsk. Selskapet driver virksomhet i en internasjonal bransje der alle aktører behersker og benytter engelsk språk. Videre er det vektlagt at konsernet er engelskspråklig og utarbeider sine regnskapsdokumenter på engelsk bl.a. av konsolideringshensyn.

Vennligst oppgi vår referanse ved henvendelser i anledning saken.

Med hilsen

Rune Tystad
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Torstein Kinden Helleland