

ENERGY EQUITY RESOURCES (NORWAY) LIMITED**CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2013**

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ENERGY EQUITY RESOURCES (NORWAY) LIMITED

COMPANY INFORMATION

Board of Directors

O. Okhomina
A. Aina (Resigned 10 January 2014)
J. Ogundare (Appointed 17 March 2014)
G. Ihetu (Appointed 25 March 2014)
O. Olowolafe (Appointed 25 March 2014, resigned 17 December 2014)
O. Okonji (Appointed 25 March 2014)

Company Secretary

O.Okhomina

Registered Office

35 Portman Square
London
W1H 6LR

Auditors

Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

ENERGY EQUITY RESOURCES (NORWAY) LIMITED STRATEGIC REPORT

The Strategic Report reviews the performance and progress for Energy Equity Resources (Norway) Limited and its subsidiaries (the "Group") for the year ended 31 December 2013. It includes corporate responsibility as well as information on future prospects.

Overview of Operations

The principal activities of the Group are those of oil and gas exploration and development of onshore and offshore hydrocarbon resources in Africa, primarily in Nigeria. To date the Group's interests and prospective interest include opportunities in the Niger Delta.

Key Activities

During the year, the Group and FHN 113 Limited ("FHN") completed the acquisition of an 18% participating interest in OML 113 from Chevron Nigeria Deepwater H Limited. The Group's interest amounted to a 9% participating interest in OML 113 (or "Aje"). This acquisition was funded by way of a loan of \$34 million from a Nigerian Bank, First Bank of Nigeria, ("FBN"). Since the year end, the Group and its partners have received the approval from the Nigerian government for a field development plan which will enable development of the OML 113 field with the view of delivering first oil in the fourth quarter of 2015.

OML 113 is a sole-risk license whereby the concession is granted solely to one company and there is no state participation through NNPC. OML 113 was initially awarded to, and held by, a single concessionaire, YFP. OML 113 is now held by the Aje Partners under a joint operating agreement. YFP retains a 60 per cent. Participating Interest as there is a statutory requirement to ensure that the majority Participating Interest is under indigenous ownership. The costs of YFP until first oil are carried by the other Aje Partners. As a result, EER bears a higher paying Interest (22.5 per cent.) and is entitled to a higher Economic Interest (16.875 per cent.) compared with its Participating Interest (9 per cent).

Under the Sole Risk licence, the fiscal terms comprise a 10% oil royalty and Aje benefits from a reduced Petroleum Profits Tax ("PPT") of 50% as opposed to 85%. All production remaining after deduction of royalty oil, operating costs and depreciation is subject to PPT.

A Competent Persons Report ("CPR") has assigned an NPV (10) of \$318 million to this asset based on an oil price of \$100, with 2P plus 2C resources net to EER of 45 mmboe ("million barrels of oil equivalent") for OML 113.

Good progress has been made in developing this asset to date and it is estimated that the Group will need to invest an additional US\$40 million in its share of this interest during the next 6 months in order to bring OML 113 into production.

During 2013, the Group has also been working towards having a 20% participating interest in each of OPL 233 and OPL 281, both oil prospecting licenses in the Federal Republic of Nigeria. Together with its joint venture partner SacOil Holdings Limited ("SacOil"), satisfaction of title is subject to Nigerian government consent. However, discussions are now taking place with regard to the possibility of not proceeding with these assets in order to focus more fully on moving OML 113 into production.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED STRATEGIC REPORT (continued)

Key Activities (continued)

The Group continues to operate a fixed fee service contract with a Nigerian subsidiary of an international oil company ("IOC") to provide consultancy services relating to contractor capability audits, local content development and project management. On 16 February 2015, this contract was renewed for a further two years from this date and has a total value of \$3.8 million.

Key Management Changes

In March 2014, the board appointed Mr Joseph Ogundare as Chief Executive Officer and Mr Osamede Okhomina as Vice Chairman. In April 2014, three Non-Executive Directors were also appointed to the board to enhance the corporate governance environment and to assist the Company in achieving its strategic objectives. These comprised Mr Godswill Ihetu as Non-Executive Chairman, and Olivia Ada Okonji and Olanike Olowolafe as Non-Executive Directors. On 17 December 2014, Olanike Olowolafe resigned from the board.

Our Business Model and Strategy

Our Vision

Our vision is to build an exploration, development and producing asset portfolio in line with our corporate, social and environmental responsibilities.

Our Strategy

Our strategy is to acquire and develop oil and gas assets using the best business practices in order to deliver significant value to all stakeholders including the host communities where we operate.

In addition, we are focused on acquiring near-term producing and producing assets with significant upsides under a cost effective corporate structure in order to enhance shareholder value.

Our Business Model

Our business model includes the acquisition and development of concessions in proven hydrocarbon provinces in Africa, in particular Nigeria. We believe that our selective approach is cost effective and beneficial to both the Company and our stakeholders.

In addition, with our extensive local knowledge, expertise, relations with government agencies and strong community relations, we are in a good position to acquire oil and gas opportunities that will allow us increase stakeholder value.

Key Performance Indicators

Key performance indicators are useful in assessing the Group's performance against its strategic objectives.

However, due to the financial position of the Group during 2013 and the need to raise sufficient funds to secure participation in the various licences and to fund administrative activities, the key focus has been on cash flow budgetary control to manage the settlement of all obligations and liabilities to third parties.

The Board has set new KPIs in 2014 to measure the development of its oil and gas assets. These KPIs include a target corporate overhead cost reduction of 50% and a target positive equity position, by conversion of most of its debt to equity, with an overall view of improving cash flows.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
STRATEGIC REPORT (continued)

Risk Management and Control

The board of directors has the responsibility for the overall system of internal control and for reviewing its effectiveness. This includes the identification and assessment of its particular risk exposures and implementing risk management policies, limits and procedures.

In the ordinary course of business, the Group is exposed to and manages a variety of risks in relation to its activities and fixed assets investments, as follows:

Operational - The success of the underlying operations relating to the fixed asset investments and underlying assets is dependent upon success in finding, acquiring and developing licence areas for the Company and its subsidiaries. If the level of reserves is found to be lower than anticipated or prove to be uneconomic for production purposes, this could have a material impact on the results of the underlying operations and ultimately on the financial results of the Group.

The Group's oil exploration activities and development of onshore and offshore hydrocarbon resource activities in Nigeria are subject to significant government laws and regulations, which may impact on the operations. The costs associated with compliance with government regulations may ultimately be material and adversely affect the operations and ultimately, the results of the Group.

Foreign exchange - The Group is not faced with any material foreign exchange risks relating to its activities in the United Kingdom but the underlying operations in Nigeria face exchange risks that could adversely affect the results of its operations. Any changes in the relative exchange rates between the US Dollar and Nigerian Naira could affect the underlying operations and ultimately the results of the Group.

Liquidity risk - The Group's requirement for funds to meet capital expenditure commitments in relation to exploration and development activities and meeting obligations under environmental laws and regulations continue. The Group requires additional funds to maintain its overhead base and to pursue its existing and new opportunities. The Group expects to finance a substantial part of its capital expenditure through additional financing via the public markets by way of a listing on an international stock exchange.

However, the failure to raise additional funding will have an adverse effect on the Company's and Group's ability to continue as a going concern.

Interest rate risk - The Group has fixed interest bearing borrowings. The Group does earn interest on funds held in its bank accounts but the amounts are not considered significant.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED REPORT OF THE DIRECTORS

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2013.

The financial statements have been prepared under, and comply with, International Financial Reporting Standards, as adopted by the EU.

Results and Dividends

The Group incurred a loss for the financial year after tax of \$27,213K (2012: Loss of \$19,414K). The directors do not recommend the payment of a dividend in respect of the year.

Directors

The names of the directors of the Company as at the date of the approval of the directors' report are listed on page 1. The names of the directors serving during the year and subsequent to the financial reporting date are as follows:

O. Okhomina
A. Aina (Resigned 10 January 2014)
J. Ogundare (Appointed 17 March 2014)
G. Ihetu (Appointed 25 March 2014)
O. Olowolafe (Appointed 25 March 2014)
O. Okonji (Appointed 25 March 2014, resigned 17 December 2014).

Company Number

The registered number of the Company is 05216866.

Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
REPORT OF THE DIRECTORS (continued)

Directors' Declaration

Each of the persons who are directors at the time when this report is approved has confirmed that:

- (a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with
- (c) preparing their report and to establish that the Company's auditors are aware of that information.

Going Concern

The Group is currently refocusing its operations in order to concentrate on the development of its near term production asset OML 113. Against the background of a significant reduction in the oil price, the current funding environment is extremely challenging.

The Group's cash flow is under severe pressure notwithstanding revenue from its recently renewed consultancy contract with a major IOC, where it expects to receive \$1.9 million per annum for advisory services on local content issues.

The Group will need to secure additional funding within the next twelve months, however, the directors consider it appropriate to prepare the financial statements on a going concern basis, particularly as the Group is currently in discussions with a number of investors and it has been able to raise sufficient funds to continue with the development of OML 113 in the short term.

At this stage, however, there can be no certainty as regards the availability of the additional funding necessary to continue the development of the Group's principal asset.

Events After the Reporting Date

Refer to Note 19 to the financial statements for significant events after the reporting date.

This report of the directors was approved by the board of directors and signed on its behalf by:



O. Okhomina
Director

Date: 23 March 2015

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ENERGY EQUITY RESOURCES (NORWAY) LIMITED

We have audited the Group and parent company financial statements of Energy Equity Resources (Norway) Limited for the year ended 31 December 2013 which are set out on pages 9 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2013 and of the Group's and parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
ENERGY EQUITY RESOURCES (NORWAY) LIMITED (continued)**

Emphasis of matter - Going Concern

We have considered the adequacy of the disclosures made in Note 2(b) of the financial statements concerning the uncertainty as to the continuation of the Group and parent company as a going concern. The Group incurred a loss of \$27,213K for the year 31 December 2013 (2012: Loss of \$19,414K) and, at that date, had net current liabilities of \$98,908K (2012: net current liabilities of \$28,258K). The Group needs to secure additional funding within the next 12 months. These conditions, along with other matters explained in Note 2(b) to the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Group and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and parent company were unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michael Simms, *Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

Date: 24 March 2015

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013
(Expressed in U.S.\$ '000s)

	Notes	<u>Group</u>		<u>Company</u>	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Non-Current Assets					
Farm-in deposits	9	11,998	15,506	-	-
Property, plant and equipment	10	181	209	-	-
Intangible assets	11	46,985	-	-	-
Investments	11	-	-	154	154
Trade and other receivables	12	-	-	-	-
		<u>59,164</u>	<u>15,715</u>	<u>154</u>	<u>154</u>
Current Assets					
Trade and other receivables	12	2,990	3,077	59,968	16,858
Cash and cash equivalents		58	37	-	-
		<u>3,048</u>	<u>3,114</u>	<u>59,968</u>	<u>16,858</u>
Total Assets		<u>62,212</u>	<u>18,829</u>	<u>60,122</u>	<u>17,012</u>
Share Capital and Reserves					
Share capital	13	820	820	820	820
Share premium	13	55,867	55,867	55,867	55,867
Other reserves		454	442	454	442
Accumulated losses		(96,885)	(69,672)	(97,391)	(71,812)
Total Equity		<u>(39,744)</u>	<u>(12,543)</u>	<u>(40,250)</u>	<u>(14,683)</u>
Current Liabilities					
Borrowings	14	91,877	24,600	91,877	24,600
Trade and other payables	15	10,079	6,772	8,495	7,095
Total Liabilities		<u>101,956</u>	<u>31,372</u>	<u>100,372</u>	<u>31,695</u>
Total Equity and Liabilities		<u>62,212</u>	<u>18,829</u>	<u>60,122</u>	<u>17,012</u>

The financial statements were approved by the Board, and authorised for issue on 23 March 2015.

Signed on its behalf by



O. Okhomina
Director

The Notes set out on pages 13 to 43 form an integral part of these financial statements

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in U.S.\$ '000s)**

	<u>Notes</u>	<u>Group</u>		<u>Company</u>	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Sales and other operating revenues	5	497	270	-	-
Operating expenditure		(162)	(65)	-	-
Gross Profit		<u>335</u>	<u>205</u>	<u>-</u>	<u>-</u>
Administrative expenses	6	(9,757)	(5,251)	(4,128)	(1,311)
Impairment of deferred contingent consideration		-	(9,370)	-	(9,370)
Operating Loss	6	<u>(9,422)</u>	<u>(14,416)</u>	<u>(4,128)</u>	<u>(10,681)</u>
Allowance against receivables due from a subsidiary undertaking		-	-	(3,671)	(3,975)
Profit on sale of asset		-	57	-	-
Finance income		9	144	-	-
Finance cost	8	<u>(17,800)</u>	<u>(5,199)</u>	<u>(17,780)</u>	<u>(5,169)</u>
Loss before Tax		<u>(27,213)</u>	<u>(19,414)</u>	<u>(25,579)</u>	<u>(19,825)</u>
Income tax expense	16	-	-	-	-
Loss after Tax	5	<u>(27,213)</u>	<u>(19,414)</u>	<u>(25,579)</u>	<u>(19,825)</u>
Other comprehensive income		-	-	-	-
Total Comprehensive Income for the Year		<u><u>(27,213)</u></u>	<u><u>(19,414)</u></u>	<u><u>(25,579)</u></u>	<u><u>(19,825)</u></u>

The Notes set out on pages 13 to 43 form an integral part of these financial statements

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 (Expressed in U.S.\$ '000s)

	Notes	<u>Group</u>		<u>Company</u>	
		<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Loss before tax		(27,213)	(19,414)	(25,579)	(19,825)
Depreciation of property, plant & equipment	10	58	85	-	-
Provision against amounts due from subsidiaries		-	-	3,671	3,975
Finance income		(9)	(144)	-	-
Finance cost		17,800	5,199	17,780	5,169
Impairment of deferred consideration receivable		-	9,370	-	9,370
Profit on deemed disposal of asset (OML 115)		-	(57)	-	-
Share based payments		-	212	-	212
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating cash flows before movements in working capital		(9,364)	(4,749)	(4,128)	(1,099)
Decrease in trade and other receivables		87	505	36	36
Increase in trade and other payables		3,307	712	1,399	978
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash used in operating activities		(5,970)	(3,532)	(2,693)	(85)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Purchases of property, plant and equipment	10	(30)	(6)	-	-
Finance income		9	144	-	-
Purchase of investment		(46,985)	-	-	-
OPL 233 Farm-in and PB Deposits advanced	9	3,508	(15,506)	-	-
Amounts advanced to subsidiaries		-	-	(46,816)	(18,764)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities		(43,498)	(15,368)	(46,816)	(18,764)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Borrowings repaid		-	16	-	16
Interest paid (*)		(17,800)	(5,199)	(17,780)	(5,169)
New loans raised (*)		67,289	24,002	67,289	24,002
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash from financing activities		49,489	18,819	49,509	18,849
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase/(decrease) in cash and cash Equivalents		21	(81)	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at the beginning of Year		37	118	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the Year		58	37	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

* Non-cash items:

Interest paid during the year ended 31 December 2013 and 2012 represent non-cash items. New loans raised should also be reduced by the same amount.

The Notes set out on pages 13 to 43 form an integral part of these financial statements

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(Expressed in U.S.\$ '000s)**

	<u>Share Capital</u>	<u>Share Premium</u>	<u>Equity Reserve</u>	<u>Share Option Reserve</u>	<u>Accumulated Losses</u>	<u>Total Equity</u>
Group						
Balance at 1 January 2012	665	51,154	320	-	(50,470)	1,669
Issue of ordinary share capital (note 13)	155	4,713	-	-	-	4,868
Convertible loan note issued (note 13)	-	-	122	-	-	122
Share based payments (note 13)	-	-	-	212	-	212
Shares issued during the year	-	-	-	(212)	212	-
Comprehensive income in the year	-	-	-	-	(19,414)	(19,414)
Balance at 31 December 2012	820	55,867	442	-	(69,672)	(12,543)
Convertible loan note issued (note 13)	-	-	12	-	-	12
Comprehensive income in the year	-	-	-	-	(27,213)	(27,213)
Balance at 31 December 2013	820	55,867	454	-	(96,885)	(39,744)
Company						
Balance at 1 January 2012	665	51,154	320	-	(52,199)	(60)
Issue of ordinary share capital (note 13)	155	4,713	-	-	-	4,868
Convertible loan note issued (note 13)	-	-	122	-	-	122
Share based payments (note 13)	-	-	-	212	-	212
Shares issued during the year	-	-	-	(212)	212	-
Comprehensive income in the year	-	-	-	-	(19,825)	(19,825)
Balance at 31 December 2012	820	55,867	442	-	(71,812)	(14,683)
Convertible loan note issued (note 13)	-	-	12	-	-	12
Comprehensive income in the year	-	-	-	-	(25,579)	(25,579)
Balance at 31 December 2013	820	55,867	454	-	(97,391)	(40,250)

The Notes set out on pages 13 to 43 form an integral part of these financial statements

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. General

Energy Equity Resources (Norway) Limited is a company incorporated in England & Wales. The address of the registered office is given on page 1. The principal activities are that of an oil and gas exploration and development group with activities focused in Africa.

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best estimate of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in Note 4.

2. Accounting Policies

(a) Basis of accounting

The consolidated financial statements are prepared in U.S. dollars as this is the currency of the primary economic environment in which the Group operates. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Significant accounting policies adopted by the Company are set out below.

(b) Going concern

The Group incurred a loss of \$27,213K for the year 31 December 2013 (2012: Loss of \$19,414K) and, at that date, had net current liabilities of \$98,908K (2012: net current liabilities of \$28,258K).

The Group is currently refocusing its operations in order to concentrate on the development of its near term production asset OML 113. Against the background of a significant reduction in the oil price, the current funding environment is extremely challenging.

The Group's cash flow is under severe pressure notwithstanding revenue from, its recently renewed consultancy contract with a major IOC, where it expects to receive \$1.9 million per annum for advisory services on local content issues.

The Group will need to secure additional funding within the next twelve months, however, the directors consider it appropriate to prepare the financial statements on a going concern basis, particularly as the Group is currently in discussions with a number of investors and it has been able to raise sufficient funds to continue with the development of OML 113 in the short term.

At this stage, however, there can be no certainty as regards the availability of the additional funding necessary to continue the development of the Group's principal asset.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Energy Equity Resources (Norway) Limited and its subsidiary companies. The results of the subsidiary companies are incorporated from the date of acquisition. Transactions and balances incurred between all companies within the Group are eliminated on consolidation. All companies in the Group have coterminous year ends.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2. Accounting Policies (continued)

(d) Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

In accordance with IFRS 3 substance over legal form is applied to whether an acquisition can be considered as a business combination or an investment asset.

(e) Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable goodwill is included in the determination of the profit or loss on disposal.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	10%
Fixtures and equipment	20%
Computer hardware and software	33%
Plant machinery and vehicles	20%

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2. Accounting Policies (continued)

(g) Intangible Assets: Oil and Gas Expenditure

The costs of exploring for and acquiring oil and gas properties are accumulated and capitalised by reference to appropriate cost pools. Cost pools are determined on the basis of fields possessing common characteristics in at least one of the following: geological area, interdependence of infrastructure, common environment or common development of markets.

The initial cost pools for the Group are as follows:

* Nigeria Area (Joint Development Zone between Nigeria and Sao Tome e Principe)

All licence acquisition, exploration and evaluation costs are initially capitalised as intangible fixed assets pending determination of the commerciality of the relevant property. Directly attributable administration costs are capitalised insofar as they relate to specific exploration activities.

Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred.

An exploration and evaluation asset is assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such triggering events are defined in IFRS 6 and include the point at which a determination is made as to whether commercial reserves exist.

If prospects are deemed to be impaired ("unsuccessful") on completion of the evaluation, then associated costs are charged to profit or loss in the statement of comprehensive income. If the field is determined to be commercially viable, the attributable costs are transferred to property plant and equipment where they will be depreciated on a unit of production basis.

(h) Impairment

At each financial reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(i) Financial Investments

Fixed asset investments in subsidiaries held by the parent company are shown at cost less provision for impairment.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2. Accounting Policies (continued)

(j) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profits for the period which are subject to the fiscal regulations of the countries in which the Company and its subsidiaries are incorporated. Income taxes in respect of the Company are accounted for in accordance with relevant fiscal regulations. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the financial reporting date.

Deferred tax

Deferred income taxes are provided for on all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred income tax asset is recorded only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences can be utilised. Deferred income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the financial reporting date.

(k) Sales, other operating revenues and other income

Sales comprise the fair value of the consideration received or receivable for the sale of natural gas and oil products in the ordinary course of the Group's activities. Other operating revenues comprise consulting income. Sales and other operating revenues are recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities as described below. Revenue is shown after eliminating sales within the Group.

Revenues from fixed price consulting contracts are recognised on a percentage of completion basis, which is generally based on physical progress related to the contractually defined units of work. Physical percentage complete is determined as a combination of input and output measures as deemed appropriate by the circumstances. Cost adjustments that are in the process of being negotiated with customers for extra work or changes in work scope are included in revenue when collection is deemed probable. Expected losses on consulting contracts should be immediately recognised as an expense.

The Group recognises finance income earned on cash and cash equivalents on an accrual basis. The Group had no sales revenue from the sale of oil and natural gas during the year (2012: Nil).

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2. Accounting Policies (continued)

(l) Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US Dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the financial reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the statement of comprehensive income for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss in the statement of comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

(m) Operating leases

Rentals under operating leases are charged to profit or loss in the statement of comprehensive income on a straight line basis over the period of the relevant lease.

(n) Provisions

Provisions are recognised where amounts are expected to be payable by the Group in the future, in respect of past events, where it is probable that payments will be required to settle the obligation and where a reliable estimate can be made of the amounts involved.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on deposit with banks with a maturity of three months or less at the date of inception. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2. Accounting Policies (continued)

(p) Financial instruments

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(q) Pensions

The Group contributes towards a defined contribution pension scheme. The contributions are charged to profit or loss in the statement of comprehensive income as incurred.

(r) Share options

Executive directors and senior management and certain employees have been granted share options under the Group share option scheme. At grant date, the fair value of the options is measured, and recognised over the period until the options vest as an employment expense, with a corresponding increase in equity. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The total amount to be expensed is determined by reference to the fair value of the options granted (a) including any market performance conditions; (b) excluding the impact of any service and non-market performance vesting conditions, such as profitability levels, sales growth targets and continuing service; and (c) including the impact of any non-vesting conditions, such as any savings requirements.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on meeting service and non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

2. Accounting Policies (continued)

(s) Investments in joint arrangements

Joint arrangements are those arrangements where the Group shares joint control. Such arrangements may be classified as either a joint venture (the Group has an interest in the net assets of the jointly controlled entity), or a joint operation (the Group has joint rights to the assets and joint obligations for the liabilities of the joint arrangement). The Group applies equity accounting for joint ventures and proportional consolidation for joint operations.

Where the Group has transactions with a joint arrangements, unrealised profits and losses are eliminated to the extent of the Group's interest in that joint arrangement.

3. New Accounting Pronouncements

(a) Standards, amendments and interpretations effective in 2013

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2013. The adoption of the Standards and Interpretations issued by the IASB has not led to any changes in the Company's accounting policies.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2013. The directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 Financial Instruments

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and de-recognition of financial assets. In the future there will only be two categories of financial assets, although there are current proposals in issue to increase these to three. Under the current issue, financial assets are recognised at either fair value through profit and loss or measured at amortised cost. On adoption of the standard, the Group will have to re-determine the classification of its financial assets, specifically those classified as available-for-sale and held-to-maturity financial assets. Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit or loss, for example derivative financial instruments, with changes in the liabilities' credit risk recognised in other comprehensive income.

The standard is effective for annual periods commencing on or after 1 January 2017.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements:

- (i) Going concern as set out in Note 2(b);
- (ii) Accounting for consultancy contract revenues and associated costs under IAS 11 'Construction Contracts' accounting standards;
- (iii) Determination of the fair value of share based payments (Note 14) and convertible loan notes (Note 13); and
- (iv) Evaluation of impairment against capitalised costs associated with farm-in deposits (Note 8), intangible assets (Note 11.1) relating the Group's participating interest in various licenses and amounts due from subsidiaries at a Company level (Note 12).

5. Segmental Reporting

Geographical segments

The directors consider the business predominantly from a geographical perspective and the Group currently operates in only one geographical market: West Africa. West Africa operations currently comprise exploration and evaluation activity as well as consulting business in Nigeria.

	Consolidated \$000's	
	2013	2012
Segment revenues	497	270
Segment result	(9,919)	(14,359)
Interest receivable	9	144
Interest payable	(17,800)	(5,199)
Loss before and after tax	(27,213)	(19,414)
Segment assets	62,212	18,829
Segment liabilities	(101,956)	(31,372)
Capital additions	30	6
Capital disposals	-	-
Depreciation	(58)	(85)

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

6. Administrative Costs and Operating Loss

6.1. Administrative Costs

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Staff costs	2,382	2,366	600	204
Rent, rates and utilities	1,352	983	-	-
Travel and business development	534	372	-	-
Office overheads	334	386	-	4
Legal fees	3,118	689	3,083	469
Audit and Tax	109	173	100	126
Accountancy costs	112	52	-	-
Consultancy costs	566	186	-	508
Other professional costs	1,250	43	345	-
	9,757	5,251	4,128	1,311

6.2. Operating Loss

Operating loss is stated after charging:	2013	2012
	\$000's	\$000's
Depreciation of property, plant and equipment (note 10)	58	85
Foreign exchange gain	56	22
Operating lease costs (office)	531	384
Impairment of deferred consideration receivable	-	9,370
Share based payments (Note 13)	-	212
Auditors' remuneration:		
- Statutory audit services	84	77
- Non statutory audit services	-	59
- Tax compliance services	25	37

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

7. Staff Costs

The average monthly number of employees (including Executive Directors) employed was as follows:

	Group		Company	
	2013	2012	2013	2012
Administration	10	9	-	-
Professional	7	8	-	-
	17	17	-	-

Their aggregate remuneration comprised:

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Wages and salaries	2,084	2,117	600	-
Social security costs	125	98	-	-
Pension costs	173	151	-	-
	2,382	2,366	600	-

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Directors' emoluments	377	394	-	-
Emoluments and benefits paid to highest paid director	303	302	-	-

Key management personnel

The directors are of the opinion that the key management of the Company comprises the Board of Directors, who have the authority and responsibility for planning, directing and controlling the activities of the Company. Key management during the year ended 31 December 2013 also included the Head of Finance. During the year ended 31 December 2013, there were two members of key management (2012: 2). Key management compensation for the Group is summarised as follows:

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Short term employee benefits	421	394	-	-

Defined contribution pension scheme costs are charged as an expense in the period they are incurred. The amount expensed within these financial statements for the year ended 31 December 2013 amounts to \$173K (2012: \$151K).

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

8. Finance Cost

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Interest on convertible loans	8,996	2,346	8,996	2,346
Interest on other long term borrowings	8,382	2,822	8,382	2,823
Interest on other borrowings	422	31	302	-
	17,800	5,199	17,780	5,169

9. Farm-in Deposits

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Balance at 1 January	15,506	15,506	-	-
Additions	2,736	-	-	-
Transfers to intangible assets (Note 11)	(6,244)	-	-	-
Balance at 31 December	11,998	15,506	-	-

OPL 281 - Nigeria

The Group with its JV partner, SacOil entered into a Farm In Agreement with Transcorp PLC ("Transcorp"), the farmor, for the assignment of 20% Participating Interest each to the Group and SacOil upon receipt of Nigerian government consents.

As at 31 December 2013, 31 December 2012 and 31 December 2011, the farm-in deposits mainly relate to the Group's share of its first instalment payable on acquisition of its participating interest in OPL 281. It includes \$6,250K, which comprises a loan provided by SacOil to the Group that is only repayable once oil production commences. Consequently, the \$6,250K and associated interest has not been recorded in these financial statements. Additional amounts are due to be paid in accordance with the farm-in agreements as disclosed in Note 20.

On assignment of the licence interests it is the intention of the Group to transfer these amounts to non-current exploration and appraisal intangible assets. The directors consider it unlikely that the Federal Government of Nigeria will not consent to assignment of the transfer interest.

Under the revised commercial terms for its partnership with Transcorp, upon government consent, the Group and its joint venture partner, SacOil will have to pay, within 21 days, a remaining farm-in fee of \$12 million. The Group's share of \$6 million will be funded by SacOil.

Production bonuses will also be due to Transcorp of which the Group will pay \$1.5 million upon cumulative production of 50mmmbbls, \$7.5 million upon cumulative production of 125mmmbbls and \$10 million upon cumulative production of 250mmmbbls. In the event that consent is not obtained for OPL 281 assignment, Transcorp will refund the farm-in fees paid to the government on its behalf, plus interest of 20% per annum.

EER will receive a promote fee of \$2.5 million from SacOil upon receipt of government consent.

During the year ended 31 December 2013 and 2012, no development costs were incurred by the Group on this asset.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

9. Farm-in Deposits (continued)

OPL 281 - Nigeria (continued)

Since the year end, discussions have been taking place about the possibility of relinquishing the Group's interest in this asset and associated liabilities in order for the Group to focus on the development of its principal asset, OML 113.

OPL 233 - Nigeria

The Group and its JV partner, SacOil entered into a farm in agreement with Nigdel United Company Limited ("Nigdel"), the farmor, for the assignment of 20% Participating Interest to each of the Group and SacOil upon receipt of all government consent. Under this agreement, the farmees have posted a Performance Bond of \$25 million collectively as part of its obligations.

SacOil funded the Group's share of the Performance Bond being \$12.5 million. As collateral for the bond, SacOil provided a \$10 million cash deposit and a pledge over the shares of SacOil 233 Nigeria Limited, a wholly owned subsidiary of SacOil for the residual amount. The Group's share of that cash deposit amounted to \$5 million and costs capitalised include the 50% interest associated with raising the Performance Bond.

The interest bearing loan from SacOil of \$5 million is for 50% of the security provided by SacOil and 50% of the related transaction costs. The loan is secured against the entire share capital of EER 233 Nigeria Ltd (Note 14). In the event that Nigerian government consent is not obtained for the OPL 233 assignment, Nigdel is to refund the farm-in fees and the investment made in connection with this asset plus interest at 10% per annum. This refund is secured via a charge over shares in Nigdel.

In 2013, a total payment \$2.4 million was made by one of EER's shareholders on behalf of the Group in connection with drilling development and payment to Nigdel for the continued contractual obligations of the EER/SacOil JV.

A further \$6.0 million is due within 15 days of government consent and assignment of 20% participating interest to EER and SacOil and a balance \$4 million due within 60 days after the approval date. EER is to receive a promote fee of \$2.5 million for this transaction from SacOil upon receipt of government consent.

In February 2013, the Nigerian National Petroleum Corporation ("NNPC") approved the OPL 233 work program and budget for 2013. The approved work program includes the acquisition and processing of around 100 square kilometers of 3D Ocean Bottom Cable (OBC) seismic survey to be acquired over the block and the drilling of an exploration well. A scouting survey has been successfully completed by a seismic contractor and the final report was submitted. Following the receipt of the scouting survey report, the seismic acquisition design parameters was finalised and the mobilization of the 3D OBC seismic survey commenced in early 2014. The 3D OBC seismic survey will enable the high grading of prospects and placement of the next well on the block.

During the year, the Group and its partner, SacOil, continued to fund the development of this asset.

The directors conducted an impairment review as at 31 December 2013 and 2012 and concluded that no provision for impairment is required.

Since the year end, discussions have been taking place about the possibility of relinquishing the Group's interest in this asset and associated liabilities in order for the Group to focus on the development of its principal asset.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

9. Farm-in Deposits (continued)

OML 113

In 2013, the Group successfully acquired 9% of the participating interest in OML 113. As a result of this, the farm-in deposits amounting to \$6.2 million in the year 2012 have been reclassified to non-current exploration and appraisal intangible assets (Note 11).

The directors conducted an impairment review as at 31 December 2013 and concluded that no provision for impairment is required (2012: impairment provision Nil)

10. Property, Plant and Equipment

	Leasehold improvements \$000's	Fixtures and equipment \$000's	Computer hardware and software \$000's	Plant machinery and vehicles \$000's	Total \$000's
Group – 2013					
Cost					
At 1 January 2013	1,424	542	292	160	2,418
Additions	-	-	-	30	30
At 31 December 2013	1,424	542	292	190	2,448
Accumulated depreciation					
At 1 January 2013	(1,306)	(542)	(244)	(117)	(2,209)
Charge for the year	(50)	-	(4)	(4)	(58)
At 31 December 2013	(1,356)	(542)	(248)	(121)	(2,267)
Net book value					
At 31 December 2013	68	-	44	69	181
At 1 January 2013	118	-	48	43	209
Group – 2012					
Cost					
At 1 January 2012	1,424	542	286	160	2,412
Additions	-	-	6	-	6
At 31 December 2012	1,424	542	292	160	2,418
Accumulated depreciation					
At 1 January 2012	(1,248)	(536)	(238)	(102)	(2,124)
Charge for the year	(58)	(6)	(6)	(15)	(85)
At 31 December 2012	(1,306)	(542)	(244)	(117)	(2,209)
Net book value					
At 31 December 2012	118	-	48	43	209
At 1 January 2012	176	6	48	58	288

The Company does not own any property, plant and equipment.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

11. Intangible Assets and Investments (continued)

11.1 Intangible Assets

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
As at 1 January	-	-	-	-
Transfer from farm-in deposits (Note 9)	6,244	-	-	-
Additions in the year	40,741	-	-	-
As at 31 December	46,985	-	-	-

During the year, the Group completed the acquisition of its 9% Participating Interest in OML 113 by way of a loan of \$34 million. This amount and other amounts associated with the acquisition of this asset have been reclassified from farm-in deposits and accounted for as intangible assets. As at 31 December 2013, the total costs incurred amount to \$46.9 million.

The directors conducted an impairment review as at 31 December 2013 and concluded that no provision for impairment is required (2012: impairment provision Nil). An independent valuation note prepared in July 2014 by an internationally known reservoir evaluation consultancy was used as the basis for the directors' assessment of the recoverable value of the Group's interest. This report presented a range of possible outcomes for the production volume and the directors selected the one which in their view most accurately reflected the production volume.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

11. Intangible Assets and Investments

11.2 Investments

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
As at 1 January	-	-	154	154
Additions in the year	-	-	-	-
As at 31 December	-	-	154	154

A list of the Company's significant investments in subsidiaries including the name, proportion of ownership interest, country of operation and country of incorporation, is given below:

Name	%	Principal activity	Country of registration & operation
Directly held			
Energy Equity Resources Limited	100	Exploration & development	England and Wales
EER (Oil and Gas) Limited	100	Exploration & development	Nigeria
Energy Equity Resources (Nigeria Services) Limited	100	Service company	Nigeria
Energy Equity Resources (Oil & Gas) Limited	100	Exploration & development	Nigeria
EER 281 Nigeria Limited	100	Exploration & development	Nigeria
EER 233 Nigeria Limited	100	Exploration & development	Nigeria
Energy Equity Resources (Delta) Limited	100	Exploration & development	Nigeria
Indirectly held by Energy Equity Resources Limited			
Energy Mena Limited *	100	Dormant	England and Wales
Energy Equity Resources (Mwana) Limited*	100	Dormant	England and Wales
EER Limited**	100	Dormant	England and Wales
EER Mwana Limited **	100	Dormant	England and Wales

* Owned indirectly through Energy Equity Resources Limited. Energy Equity Resources (Equatorial Guinea) Limited was re-named to Energy Mena Limited on 7 June 2013.

** Owned indirectly through Energy Equity Resources (Mwana) Limited. Energy Equity Resources (Mauritania) Limited was renamed to EER Limited on 23 January 2013.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

12. Trade and Other Receivables

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Current assets				
Due from subsidiary undertakings (i)	-	-	106,901	60,120
Less: provisions against amounts advanced to subsidiaries (i)	-	-	(47,069)	(43,398)
	-	-	59,832	16,722
 Trade debtors	1,668	1,796	-	-
Other debtors (ii)	211	163	136	136
Prepayments (iii)	906	900	-	-
VAT recoverable	205	218	-	-
	2,990	3,077	59,968	16,858

(i) Due from subsidiaries

The evaluation of impairment of amounts due from subsidiary undertakings at the financial reporting date has been carried out in conjunction with the Group's overall impairment evaluation of capitalised costs relating to its interest in various licences (Notes 9 and 11).

(ii) Other debtors

Other debtors also include \$136K (2012: \$136K) due from shareholders that relate to the issue of the Company's shares associated with share options granted (Note 13).

(iii) Prepayments

Included within prepayments is a rental deposit of \$521K (2012: \$515K) in respect of a subsidiary's lease of its office for 35 Portman Square, London.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

13. Share Capital and Share Premium

	Number	2013 \$000's	2012 \$000's
Authorised			
Ordinary shares of £1 each	394,089	634	634
Participation shares of £1 each	91,020	147	147
Deferred shares of £1 each	1	1	1
	Equity share capital allotted and fully paid	Share premium	
	Number	\$000's	\$000's
Allotted equity share capital and share premium			
As at 1 January 2012	382,407	665	51,154
Issued during the year to employees and key advisors (Note 13.1)	25,250	40	-
Issued during the period to Gairloch Limited (Note 13.2)	72,344	115	4,713
As at 31 December 2012	480,001	820	55,867
Issued during the period to Gairloch Limited (Note 13.2)	-	-	-
As 31 December 2013	480,001	820	55,867

The 480,001 shares that have been allotted are made up of 388,980 £1 ordinary shares and 91,021 £1 participation shares. During the year ended 31 December 2013, no share options were issued.

13.1 Share Option Scheme - 2012

The Company's share option scheme was adopted pursuant to a resolution passed on 30 July 2010 for the primary purpose of providing incentives to directors and eligible employees with no expiry date.

In February 2012, the Group authorised the grant of further share options of 4,250 participation shares and 20,000 ordinary shares at a nominal value of GBP 1 per share.

All options over ordinary shares were granted and exercised in August 2012 and September 2012. 2,750 options over participation shares were granted and exercised in August 2012 and 1,500 options over participation shares were granted and exercised in September 2012. At this date, due to the Company's debt position with no title to any revenue generating assets and very limited access to funding, the options were granted at a nominal value as it held no value to the option holder.

The Board of Directors prepared a valuation paper to determine the market value of the shares. The valuation assessment was based on a comparison of SacOil, a JV partner and co-farmer to two Nigerian assets. The valuation paper used SacOil's share price and an independent analyst's review to correlate the share price to the valuation of the Company based on the analysts calculations of the proportion of SacOil's market capitalisation, which relates to its Nigerian assets, to achieve an adjusted fair market value of the Company, which resulted in a share option value of \$10.00 per share. The total compensation costs relating to the grant was calculated as \$212K for the year ended 31 December 2012.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

13. Share Capital and Share Premium (continued)

13.1 Share Option Scheme - 2012

Details of the number and weighted average exercise price of the options granted during in 2012 as follows:

Name of employees and advisors	Participation shares	Ordinary shares	Weighted average exercise price per share \$
Yinka Ogundare	-	10,000	1.55
Satinder Purewal	-	10,000	1.55
Adejumoke Adedigba	1,000	-	1.55
Fahd Yahaya	1,000	-	1.55
Evans Jakpa –Johns	1,000	-	1.55
Aramide Olajide	750	-	1.55
Sophie Ejelue	500	-	1.55
	<u>4,250</u>	<u>20,000</u>	

On 7 April 2011, a total of 1,000 share options were also issued to a director at the time, Danladi Verheijen but were not exercised in the year. Mr Verheijen elected to exercise his shares in November 2012. In 2014, Mr Verheijen transferred his shares to Gairloch Limited via Shining Star Limited.

13.2 Debt conversion to equity

In February 2012 Gairloch Limited issued a conversion notice and the full outstanding amount of all convertible loan notes outstanding as at 31 December 2011 was converted into 71,511 ordinary shares in the Company and the loan was fully discharged.

Also, in February 2012, the residual of the loan amounting to \$48,000 received from Gairloch Limited on 1 February 2012 was also converted into ordinary shares bringing the total ordinary shares issued to 72,344.

In November 2013, a shareholder resolution was passed to convert most of the Company's debt to equity. Gairloch Limited elected to convert part of its debt into 160,087 ordinary shares.

Mr Michael Ogundare elected to convert part of their debt into 10,635 ordinary shares and Joseph Ogundare elected to convert part of his owed wages to 2,073 ordinary shares.

At the date of this report, these shares have been converted and share certificates executed.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

14. Borrowings

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Current				
Loans repayable to third parties	1,808	321	1,808	321
Loans repayable to related parties	32,020	9,977	32,020	9,977
Loan - SacOil Holdings Limited (OPL 233)	15,458	7,402	15,458	7,402
Loan - FBN	34,000	-	34,000	-
Loan - FHN 113 Limited (OML 113)	8,591	6,900	8,591	6,900
	91,877	24,600	91,877	24,600
Current borrowings are made up of loans from:				
Gairloch Limited	30,590	8,705	30,590	8,705
Loan - Nigerian Investor	815	657	815	657
Loan due to others	719	321	719	321
Shining Star	615	615	615	615
Loan - UK Investor	1,089	-	1,089	-
Loan - SacOil Holdings Limited (OPL 233)	15,458	7,402	15,458	7,402
Loan - FBN	34,000	-	34,000	-
Loan - FHN 113 Limited (OML 113)	8,591	6,900	8,591	6,900
	91,877	24,600	91,877	24,600

SacOil Holdings Limited

Contingent loans repayable from future production

During 2011 and pursuant to the Farm In Agreements for OPL 281 and OPL 233, the Group was obliged to make advance payments of certain farm-in consideration amounts (Note 9). Under the terms of the Master Joint Venture Agreement between SacOil and the Company, as amended, SacOil paid on behalf of the Company an amount equal to this advance farm-in consideration. The Company has a contingent obligation to repay these amounts, including interest, out of its share of proceeds from the production of the relevant farm-in asset. The first repayment will become due 60 business days after commencement of oil production on such asset. The interest rate on the loans is 25% nacm and loans are repayable in 3 equal annual tranches. The loan is unsecured (Note 20).

Performance Bond posted for OPL 233

SacOil posted security for a \$25 million Performance Bond in relation to OPL 233 with Ecobank on behalf of itself and the Company in equal proportions.

The security for the bond consisted of a \$10 million cash deposit and a pledge over the shares of SacOil 233 Nigeria Limited, a wholly owned subsidiary of SacOil. The interest bearing loan from SacOil is for 50% of the security provided by SacOil and 50% of the related transaction costs. The interest rate payable on the \$5 million cash component of the loan is 50% and the residual \$7.5 million is 30% nominal annual compounded monthly ("nacm"). The loan is secured against the entire share capital of EER 233 Nigeria Ltd.

Pursuant to an addendum to the loan agreement dated 11 September 2012, the loan is repayable by the later of 15 December 2012 or 5 business days after government consent to the transfer is obtained. This was further amended in an addendum to the loan agreement dated 28 December 2012, with the loan repayable in full on 31 May 2013.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

14. Borrowings (continued)

i) Addendum 3 to Loan Agreement between SacOil and EER

The purpose of this agreement is to amend the loan agreement concluded between SacOil and EER on or about 3 October 2011 as subsequently amended on or about 5 April 2012 and again on 11 September 2012 ("Loan Agreement"). This loan to EER was provided at the time of the posting of the \$25 million Performance Bond to record EER's obligations and share of the same. This agreement is conditional upon the transfer agreement referred to above being concluded and Gairloch Limited successfully replacing RenCap as lender under the Facility Agreement.

EER's indebtedness to SacOil as at 31 December 2013 is mutually agreed as being \$35.9 million broken down as \$13 million related to asset acquisitions; \$2.1 million being promote fee advance, \$7.5 million being the non-cash collateral SacOil provided to Ecobank on behalf of EER for the OPL 233 Performance Bond and \$8.8 million related to the cash collateral SacOil provided to Ecobank on behalf of EER for the OPL 233 Performance Bond and development costs. In 2013, SacOil secured a loan from Gairloch Limited of which EER agreed to pay 50% of the interest incurred. As at 31 December 2013, EER is also indebted to SacOil in respect of the Gairloch Limited loan interest to the amount of \$4.5 million.

Pursuant to the terms of the amended Loan Agreement, all cash amounts are repayable by 31 May 2013. This loan remained unpaid as at 31 May 2013 and as such, default interest of 32% has been applied on all cash amounts from this date.

In addition, an introduction of a non-cash repayment of \$7.5 million of the loan requires that EER re-collateralises the obligations in respect of this amount under the existing Performance Bond issued by Ecobank in favour of NNPC currently funded by SacOil pursuant to an existing Performance Bond. Finally, EER has agreed to pay SacOil 50% of any amount of interest and costs accruing to Gairloch Limited under the Facility Agreement.

The Addendum 3 to loan agreement has been signed by both parties.

ii) Recent Developments

The repayment date for the SacOil loan was extended to 31 July 2014 after a part repayment of \$1 million was made and then subsequently to 31 October 2014 after a part repayment of another \$1 million was made and it was agreed to offset the promote fee now due from SacOil to EER of \$2.5 million as a result of the granting of government consent in connection with OPL 233.

In October 2014, the Company signed a loan extension letter with SacOil extending its loan repayment date to 30 November 2014. It was agreed in the extension letter that the Group will pay 32% default interest rate on the outstanding short term loan amount and also accept accrued interest totalling \$6.5m from April 2012 to November 2014, on the non-cash component of the loan amount, payment of which will be deferred to 30 September 2016.

At the date of this report, discussions are taking place with SacOil whereby the Group may relinquish its interests in OPL 281 and OPL 233 and the amounts owed to SacOil would then reduce accordingly. Whilst these discussions continue, the dates for repayment of all the loan balances with SacOil have been extended.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

14. Borrowings (continued)

Purchase of interest in OML 113

On 1 April 2012, the Group and FHN 113 Limited ("FHN") executed a Joint Purchase Agreement whereby it agreed to jointly purchase an 18% participating interest in OML 113 in the Federal Republic of Nigeria. FHN is a subsidiary of First Hydrocarbon Nigeria, a company in which Afren plc has a 45% ownership interest.

Also on 1 April 2012, the Group and FHN executed a Loan Agreement and related financing documents. Under the Loan Agreement, FHN committed to provide a loan facility of up to \$10 million to the Group for the purpose of partially funding the Group's share of the OML 113 purchase consideration. The Group drew down an initial \$6 million to fund its share of the consideration deposit as noted above. The loan accrues interest at 20% per annum and is/was repayable in full on 28 March 2013. Pursuant to an amendment deed dated 26 March 2013, the repayment date was extended to 14 October 2013 with an increase in the interest rate to 25% as of 28 March 2013. The loan repayment has been subsequently extended to 11 December 2014. Since that date, a repayment of \$1.5 million has been made to FHN and discussions are continuing about how and when the outstanding balance will be repaid.

As security for the loan, the Group granted FHN security over 22.5% of the issued share capital of EER (Colobus) Nigeria Limited (a 100% subsidiary of the Company and asset holding vehicle for the Group's interest in OML 113), security in the form of a right of assignment of 12.5% of the Group's participating interest in the asset, security over the entire issued share capital of EER 281 Nigeria Limited and security over the Company's contractual economic interest in JDZ Block 1.

On 2 April 2012 the Group and FHN executed an Asset Sale and Purchase Agreement ("ASPA") with Chevron Nigeria Deepwater H Limited ("Chevron") to acquire Chevron's 18% participating interest in OML 113 for a combined cash consideration amount of \$80 million. The Group and FHN will receive 9% participating interest each, subject to obtaining the consent of the Federal Government of Nigeria and each party fulfilling its obligations under the sale and purchase agreement and Joint Purchase Agreement. This has since been satisfied after the financial reporting date.

On 2 April 2012, FHN and the Group paid the required 15% deposit of \$12 million to Chevron. On 28 September 2012, the Group, Chevron and FHN executed a letter agreement extending the Long Stop Date of the ASPA to 30 September 2013. The outstanding balance of \$68 million was due upon government consent to the assignment.

In May 2013, the Nigerian Minister of Petroleum Resources, granted approval to the assignment of 9% participating interests in OML 113 each to the Group and FHN.

On 16 July 2013, First Bank of Nigeria ("FBN") advanced a loan of \$34 million to the Group and the Group paid \$34 million to Chevron to complete the acquisition of its 9% Participating Interest in OML 113. As a result, title ownership was awarded to the Group. The tenure of the FBN loan is 12 months with an interest rate of Libor + 9.5% per annum. As security for the loan, the Group granted FBN security over 75% of the issued share capital of EER (Colobus) Nigeria Limited (a 100% subsidiary of the Company and asset holding vehicle for the Group's interest in OML 113),

This loan was repayable in July 2014. As at the date of this report and after the financial reporting date, FBN agreed to extend the loan repayment date to 13 January 2015. Discussions are continuing with FBN to extend significantly the repayment period of the loan beyond this date.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

14. Borrowings (continued)

Other loans

During 2013, further convertible loan notes were issued to Gairloch Limited, a company incorporated in the British Virgin Islands. The new convertible loan notes have a nominal value of \$ 3 million, are unsecured, bear interest at 60% per annum. During this period, Gairloch Limited also provided an equity sum of \$5.5 million. This equity finance attracts no interest. These as well as the loan plus interest are convertible at any time at the option of the note holder into ordinary shares at a fixed conversion rate of \$65.81 per ordinary share.

On 15 July 2013, the Company issued an unsecured convertible loan note to Gairloch Limited, for \$4.3 million. This amount is to pay interest, fees and adviser costs relating to the loan facility from First Bank of Nigeria for the acquisition of 9% participating interest in OML 113. This loan note bears 24% interest per annum and a further 8% monthly rollover fee until the final maturity date which is 31 December 2013. The Company has the election on the final maturity date, to convert these loan notes into ordinary shares as an alternative to redeeming them in cash.

In November 2013, Gairloch Limited issued a conversion notice to convert part of its debt to 221,871 ordinary shares and to subscribe for up to 76,012 new shares. In April 2014, the total amount to be converted including any accrued and unpaid interest amount to \$20.1 million. Conversion of up to 160,087 shares was duly finalised in April 2014 and share certificates were issued. It was agreed that further investment by Gairloch Limited over and above this amount would subsequently be converted to equity.

On 16 September 2013, the Company issued an unsecured loan note to JIM Nominees, a company registered in England, for the principal amount of £478,000, equivalent of \$758,375. The loan notes were repayable by the Company 90 days from their date of issue being 15 December 2013 and bear an interest of 3.5% per month and 5% per month if the loan notes are not repaid by this date. The repayment date of these notes has been extended to when the Group is able to complete a significant fund raising.

On 6 November 2013, the Company issued an unsecured convertible loan note to Banque Benedict Hentsch for \$250K. The loan note bears interest of 15% per annum with a maturity date of 13 March 2014. The note holder may elect to convert the principal sum and the accrued interest into shares on the first anniversary of the convertible loan note instrument.

15. Trade and Other Payables

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Amounts due to subsidiary undertakings	-	-	4,500	4,500
Trade and other creditors	2,496	3,609	-	2,003
Unpaid share capital	-	-	154	154
Accruals	7,097	2,665	3,841	438
Social security costs	486	498	-	-
	10,079	6,772	8,495	7,095

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

16. Taxation

There was no current tax payable for the Group in 2013 or 2012. The loss per the statement of comprehensive income can be reconciled to the overall tax charge as follows:

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Loss before taxation	(27,213)	(19,414)	(25,729)	(19,825)
Tax at the UK corporate tax rate of 24% (2012: 24%)	(6,531)	(4,659)	(6,175)	(4,758)
Tax effect of items which are not deductible or assessable for tax at the UK corporate tax rate of 24% (2012: 24%)	6,039	(160)	5,713	-
Taxable losses not recognised	492	4,819	462	4,758
Tax charge for the year	-	-	-	-

At the financial reporting date the Group had an unrecognised deferred tax asset relating to carried forward taxable losses as follows:

	Group		Company	
	2013	2012	2013	2012
	\$000's	\$000's	\$000's	\$000's
Carried forward taxable losses at 24% (2012: 24%)	12,621	11,361	2,053	1,713

The above balances have not been recognised as there is insufficient evidence of future taxable profits. These losses can be carried forward indefinitely. There are no undistributed earnings of subsidiaries and accordingly no requirement to record deferred tax in respect of such balances.

18. Related Party Transactions

Directors' and Key Management Interests

The directors who held office at 31 December 2013 had the following interests in the shares of Group undertakings:

	<u>Ordinary shares</u>	
	<u>2013</u>	<u>2012</u>
A. Aina	4,000	4,000
O. Okhomina	78,849	78,849

Directors' and key management emoluments, which represent remuneration payable to key management personnel is disclosed in Note 7 to the financial statements.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

17. Related Party Transactions (continued)

Balances with related parties

Various loans due to related parties have been disclosed in Note 14. At 31 December 2013, in addition to the amounts due to Gairloch Limited, the following balances were outstanding:

	2013 \$000's	2012 \$000's
Mr Ogundare, Shining Star Limited	(815) (615)	(657) (615)

Shining Star Limited is related by virtue of being a company owned by director and shareholder, Osamede Okhomina.

Amounts due from subsidiaries are interest free and repayable on demand.

Transactions with related parties

During the year ended 31 December 2013, Dr K Mildwaters, a shareholder owning personally and through a related company ResourceCo Investments Limited 1.94% of the share capital of Energy Equity Resources (Norway) Limited, was retained by the Group with retainer charges totalling \$141K (2012: \$228K). This service agreement was terminated with effect from 31 December 2013.

In 2012, the Group issued a convertible loan note amounting to \$650k to Michael Ogundare, who is a brother to Yinka Ogundare, Country Manager Energy Equity Resources (Nigeria Services) Limited and now Chief Executive Officer of Energy Equity Resources (Norway) Limited. The loan bears 15% and with a maturity date of 12 March 2014 The Noteholder may elect to convert the principal sum and the accrued interest into shares on the first anniversary of the convertible loan note instrument, which he elected to convert in 2013 (Note 13.2).

18. Operating Lease Commitments

	2013 \$000's	2012 \$000's
Within one year	533	523
In the second to fifth years	1,065	1,568
	<u>1,598</u>	<u>2,091</u>

The operating lease payments represent rentals payable by the Group for its London office. The terms of the lease are 10 years from 2006. In addition to the London premises the Group also has lease obligations on Nigerian office rentals which all fall into the less than one year category.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

19. Events after the Reporting Date

In addition to the matters disclosed in Note 14, the following events have occurred since the financial reporting date:

i) Change of Board of Directors

In March 2014, the board appointed Mr Joseph Ogundare as CEO and Mr Osamede Okhomina as Vice Chairman. In March 2014, three Non-Executive Directors, were appointed to the board, Mr Godswill Ihetu as Non- Executive Chairman and Mrs Olivia Ada Okonji and Miss Olanike Olowolafe as Non-Executive Directors to enhance the corporate governance environment and to assist the Company in meeting its current strategic objectives. On 17 December 2014, Miss Olanike Olowolafe resigned from the board.

ii) Loans from Guan Limited

From January 2014 to the date of this report, loans have been received from Guan Limited, a company incorporated in the British Virgin Islands, of over \$24 million. These amounts were used to meet the Company's asset development obligations. These loans bear interest of 24% per annum and monthly management fees of 8% and are convertible. On 21 August 2014, a subscription agreement was entered with Guan Limited whereby Guan Limited subscribed for \$24 million in aggregate principal of loan notes in the Company.

iii) New Convertible Loan to Mr Oluwafemi Adewale

In March 2014, the Company issued unsecured convertible loan notes to Mr Adewale for a subscription price of \$75K. These notes bear 15% per annum are repayable in July 2014. Furthermore, investment of \$25K was also received in May 2014. Conversion of these amounts is currently being discussed.

iv) Conversion of Debt to Equity

Since the balance sheet date, a total of 819,931 new shares have been issued in order to convert certain amounts of debt outstanding into equity.

v) Subscription for New Ordinary Shares

Since the balance sheet date, a total of 54,700 new shares have been issued to new investors and to certain creditors of the Group in order to satisfy amounts outstanding.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

19. Events after the Reporting Date (continued)

vi) Loan Extensions/Repayment

On 10 April 2014, FHN extended its loan repayment date to the earlier of the date of completion of a major equity or debt raise by the Group and close of business day on 11 December 2014. Since that date, a repayment of \$1.5 million has been made to FHN and discussions are continuing about how and when the outstanding balance will be repaid.

On 30 May 2014, SacOil extended its loan repayment date to 31 July 2014. In June 2014, the Company, repaid SacOil an amount of \$1 million towards its current outstanding short term loan. In August 2014, SacOil agreed to extend its loan repayment date to 31 October 2014 on the basis of a further part repayment of \$1 million and the agreement to offset the \$2.5 million promote fee due to EER from SacOil in relation to OPL 233. In October 2014, the Company signed a loan extension letter with SacOil extending its loan repayment date to 30 November 2014. As at the date of this report, discussions are taking place with Sacoil whereby the Group may relinquish its interests in OPL 281 and OPL 233 and the amounts owed to Sacoil would then reduce accordingly. Whilst these discussions continue, the dates for repayment of all the loan balances with Sacoil have been extended.

As at the date of this report, FBN has agreed to extend the repayment date of the loan of \$34 million to 13 January 2015. Discussions are continuing with FBN to extend significantly the repayment period of the loan beyond this date.

viii) Update on assets

OML 113 – Aje development

The Aje Partners' initial development scheme is to target the Cenomanian reservoir with two subsea wells tied back to a leased FPSO as shown in the schematic above. Each Aje Partner is then allowed to lift its economic interest share of crude oil via a tanker in line with an agreed offtake schedule. In January 2014, the field development plan and review was completed and approval received by the Department of Petroleum Resources in March 2014.

Certain capital expenditure has already been spent by the Aje Partners on this asset including subsurface review, well construction planning, Environmental Impact Assessment, general block management costs, and long lead items such as 3 subsea trees, umbilicals and 1 wellhead. Aje-4 well will be re-entered and re-used and a new Aje-5 well will be drilled close to the bottom hole location of the current Aje 2 well.

A strong project team has been put in place, spearheaded by New Age, for project delivery and a fast track development targeting first oil in the fourth quarter of 2015 is achievable because certain long-lead items already acquired and FPSO identified. In particular, the FPSO has now been secured and is currently being refitted and the Aje Partners are close to contracting the drilling rig.

OPL 233 and OPL 281

As at the date of the signing of these accounts, discussions are taking place with Sacoil whereby the Group may relinquish its interests in OPL 281 and OPL 233 in order to focus on the development of its near term production asset OML 113.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

19. Events after the Reporting Date (continued)

ix) Contingent Receivable on OML 115

Pursuant to the Transfer Interest Agreement dated 21 June 2010 between the Group and Afren Exploration & Production Nigeria Beta Limited, the Group is set to receive \$2.5 million on the business day following the date of grant of a field development approval and a further \$3 million on the business day following the date upon which the cumulative gross production of crude oil from OML 115 exceeds 35mmbls. As at the date of this report, field development approval has not been obtained and production remains uncertain.

20. Contingent Liabilities

i) OPL 233 Performance Bond posted by SacOil

The Group has a contingent liability of \$7,500K relating to the Performance Bond posted by SacOil. SacOil pledged the shares of its subsidiary, SacOil 233 Nigeria Limited to the equivalent of this amount. This is considered a non – cash deposit and is a contingent liability should the bond be called by NNPC (Note 14).

ii) Previous disposals

The Group has given warranties and indemnities to the buyer in connection with the sale of a subsidiary company in 2005. The Group remains liable to meet commitments and other undertakings in respect of an associated company in which the former subsidiary referred to above had a 49% interest. The buyer of the former subsidiary has given undertakings to meet any commitments as they fall due. As at the date these financial statements were approved, the directors were not aware of any claims arising from the foregoing.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

20. Contingent Liabilities (continued)

iii) Farm-in agreements – OPL 281 and OPL 233

SacOil has paid certain farm-in consideration costs on behalf of the Group (Notes 10 and 15) of \$6,450k. The Company has a constructive obligation to repay these amounts, including costs of capital, out of its share of proceeds from the production of the relevant farm-in asset in three equal annual instalments. The farm-in consideration costs of \$6,450K and interest amounting to \$6,567k up to 31 December 2013 (31 December 2012: accrued interest of \$3,714K) have not been accounted for in these financial statements because the loans carry arrangements under the Master Joint Venture Agreement between the Group and SacOil, which is contingent upon production commencing. The first repayment will become due 60 business days after commencement of oil production on such assets taking the proportion of the Group's entitlement to production from that asset that equals one third of the outstanding acquisition costs plus the agreed cost of capital. The loans are unsecured. Presently the Federal Government of Nigeria has not yet approved the assignment of the farm-in interests, and as such there is not yet certainty over whether or when the first production entitlement from the farm-in assets will accrue to the Group.

The residual acquisition fee for the purchase of the Group's participating interest in OPL 281 of \$6 million is due to Transcorp within 21 days following receipt of all government consent and assignment of the participating interests to EER and SacOil. SacOil is obliged to fund this amount on behalf of Group and the Group has a contingent obligation to repay these amounts, including interest, out of its share of proceeds from the production of the relevant farm-in asset, as described above.

The residual acquisition fee for the purchase of the Group's participating interest in OPL 233 of \$3.8 million is due to Nigdel within 15 days following receipt of all government consent and assignment of the participating interests to the Group and SacOil. SacOil is obliged to fund this amount on behalf of the Group and the Group has a contingent obligation to repay these amounts, including interest, out of its share of proceeds from the production of the relevant farm-in asset, as described above.

iv) Security arrangements and guarantees

As security for the loan from FHN, the Group granted FHN security over 22.5% of the issued share capital of EER (Colobus) Nigeria Limited (a 100% subsidiary of the Company and asset holding vehicle for the Group's interest in OML 113), security in the form of a right of assignment of 12.5% of the Group's participating interest in the asset, security over the entire issued share capital of EER 281 Nigeria Limited and security over the Group's contractual economic interest in JDZ Block 1.

As security for the loan from FHN, the Group granted FBN security over 75% of the issued share capital of EER (Colobus) Nigeria Limited (a 100% subsidiary of the Company and asset holding vehicle for the Group's interest in OML 113).

The Group's corporate guarantee to Gairloch in respect of a \$1m loan made by Gairloch to SacOil, has been settled under Gairloch's equity settlement with SacOil.

21. Rechargeable Costs

Some expenses incurred on behalf of other subsidiaries during the period have not been recharged by the Company.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

22. Financial Risk Management

(a) Capital Risk Management

The capital structure of the Group consists of net debt and equity. The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to its shareholder and benefits for other stakeholders;
- to enhance the ability of the Group to invest in future projects by sustaining a strong financial position and high borrowings capacity; and
- to provide an adequate return to its shareholders.

The Group is still in the exploration and evaluation stage of its activities. The Group's capital structure is supported by external loans. The Group monitors its capital structure on the basis of the net debt ratio and the net adjusted debt ratio. The net adjusted debt ratio is calculated as net debt divided by net debt plus total equity ("total capital"). The net debt to adjusted equity ratio at 31 December 2013 is summarised as follows:

	2013 \$000's	2012 \$000's
Borrowings	91,877	24,600
Cash and cash equivalents	(58)	(37)
Net debt	91,819	24,563
Total equity	(39,744)	(12,543)
Total capital	52,075	12,020
Net adjusted debt ratio	176%	204%

(b) Categories of Financial Instruments

Financial assets	2013 \$000's	2012 \$000's
Cash and cash equivalents	58	37
Loan and receivables (excluding prepayments)	2,084	2,177
Total financial assets	2,142	2,214
Non-financial assets	60,070	16,615
Total assets	62,212	18,829
Financial liabilities	2013 \$000's	2012 \$000's
At amortised cost	94,859	28,707
Total financial liabilities	94,859	28,707
Non-financial liabilities	7,097	2,665
Total liabilities	101,956	31,372

ENERGY EQUITY RESOURCES (NORWAY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

22. Financial Risk Management

(c) Financial Risk Factors

The Group's operations expose it to a number of risk factors including exchange rate risk, interest rates risk, credit risk and liquidity risk. The Group seeks to minimise potential adverse effects on the Group's financial performance by employing a sufficiently robust financial strategy to withstand prolonged adverse conditions in significant risk factors such as unfavourable conditions in the financial markets. The Group's results and cash flows are influenced by the success of the Group in managing these risk factors as detailed below.

Foreign currency risk

The Group's activities are principally conducted in U.S. dollars. 100% of the Group's revenues and borrowings and currently approximately 55% of the Group's costs are denominated in U.S. dollars, with the remainder of costs denominated in Pounds Sterling and Nigerian Naira. Overall exposure is kept under constant review and the Group may participate in currency hedging where considered appropriate in the future.

The directors consider the foreign exchange risk at 31 December 2013 and 2012 is not significant due to the low level of monetary assets and liabilities held in currencies other than US dollars as at 31 December 2013 and 2012. The gain on foreign exchange incurred during the year ended 31 December 2013 amounted to \$56k (2012: \$22k).

Interest rate risk

The Group evaluates its interest rate exposure on a regular basis and acts accordingly in order to align with the defined risk limits set by the board of directors. The Group does not use interest rates swaps to mitigate risk arising from fluctuating exchange rates.

At 31 December 2013 all borrowings are either interest free or bear interest at fixed rates so the directors consider the interest rate risk is not material at the financial reporting date.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. Credit risk arises from deposits with financial institutions as well as exposure to customers, including receivables and committed transactions.

Trade receivables of \$1,817k (2012: \$1,796k) relate to consulting services provided to a Nigerian subsidiary of an international oil company and the directors deem the exposure to non-payment as highly unlikely. Non-current trade and other receivables includes a contingent asset which has been fully impaired at 31 December 2013. Details are disclosed in Note 19.

The directors are of the opinion that there is no other material exposure in respect of current trade and other receivables.

The directors are of the opinion that the credit risk on liquid funds is limited as counterparties are well established banks.

ENERGY EQUITY RESOURCES (NORWAY) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 (continued)

23. Financial Risk Management (continued)

(c) Financial Risk Factors

Liquidity risk

Management has built an appropriate liquidity risk management framework for the management of short, medium and long-term funding and liquidity management requirements. The risk refers to the inability of the Group to sell its assets on short notice at market prices. Fixed assets owned by the Group are more difficult to sell, if the need arises, in comparison to financial assets. However the Group tries to maintain adequate cash and cash equivalents, and has demonstrated in the past its ability to obtain funding and credit facilities to meet its commitments. The Group has the flexibility to take effective actions to alter the amounts and timing of its cash flows so that it can respond to unexpected needs and opportunities, by raising new capital, if required. All liabilities are due repayable within one year of the financial reporting date.

(d) Fair Value Estimation

As at 31 December 2013 and 2012, the Group had no financial instruments measured at fair value.

The carrying amount of financial assets approximates their fair value. However, the fair value of financial liabilities is considered to be significantly less than the carrying amount due to the underlying uncertainty relating to the Group's ongoing operations and the fact that a portion of the loans repayable at the financial reporting date are unsecured and the Group's negative equity position. The directors are of the opinion that the fair value of financial liabilities cannot be quantified.