NORDIC PETROLEUM AS

Organization No 976 745 493

Annual Report 2011

The nature of the company's business and location

The company's business consists of exploring and development of oil and gas resources with a goal towards operating future production.

The company was established in 1996, and originally the company business was geographically concentrated on Svalbard and Greenland. At present the company's activity is solely located in Alberta, Canada. An important reason for this shift is that the threshold for getting started with operational activities is significantly lower in Alberta. The strategy is to upgrade the heavy oil resources the company possesses in Chard. This is done with a core drilling program funded by a partner through a farm out agreement. Then the goal is then to finance the development and production. The alternative to development is divestment.
The company also has a goal of implementation of oil/ gas production of proven reserves in Carmangay where the company holds a working interest.

The company's registered office is located in Fredrikstad, Norway.

The company's activities and operations in 2011

The business during the last year has generally been limited by the company's financial position. A lot of work and resources were committed to identifying a partner for Chard. A few candidates were identified. With one of these candidates we have, from the beginning of 2012, conducted due diligence, negotiated transaction terms and started the contract process and signed the agreement announced in the shareholder notice 12.03.2012.

We have developed a minimum work program for Carmangay. Current partners are not able to contribute capital to the completion of this work program. The strategy is therefore to find a new partner who will invest with us or we may decide to take a larger share ourselves.

The main objective is to highlight the company's values through the development of the leases, upgrade resources to reserves and prepare for future production. The strategy is to achieve this through joint venture partners that will ensure future commercial realization of present resources.

The positive trend continues with the increased interest in oil resources and improvement in the transaction market. This is important for the company, as our main value lies in the oil sands area of Athabasca.

The company has this last year completed an internal assessment of its petroleum resources in order to highlight the potential of our assets in Alberta, and which takes into account both new information from the area and further development of well and production technology. The Board has given its consent to the assessment, but has so far chosen not to implement a new independent evaluation.

The internal assessment was done based on analysis of logs and new calculations on the channels and the spread of oil deposits. This has yielded the result that we expect there to be up to 50 million barrels of added heavy oil in the Chard area beyond the results from previous independent evaluations within our leases. Whether any of this can be economically recoverable resources is still too early to say without core drilling and further studies using seismic data to differentiate the various formation layers correlated with the legacy and new wells. In total, this internal assessment shows that Nordic Petroleum holds a potential of up to 404 million barrels of oil in its assets in Alberta (Chard + Carmangay).

Of the estimated volume of resources the company possesses in the Chard leases in layers of ≥ 5m, and before core drilling, there is a potential of up to 157 million barrels that may eventually be upgraded to contingent resources (economically recoverable). The value of this based on market transactions implies a minimum of around 50 cents a barrel, i.e., a value of CAD 78.5 million (on a 100% basis).

Currently, the industry assumes a development cut-off at 8 - 10 m formation layer thickness for it to be technically and economically recoverable, compared to around 15 m a few years ago. We estimate that within a few years the development of layers down to 5 m and eventually even thinner layers will become the new cut-off. Constant improvements in production techniques have already led Chinese companies to have success in producing thinner layers of <5 m using horizontal well construction that handles oil heating and production in reservoirs with close contact with underlying water. Success and a breakthrough in this will be able to increase our recoverable reserves dramatically.

The leases we hold in Chard are exclusively for oil and run for another 9 years to 2021. At the start of production lease rights are extended to full drainage of reserves.

The royalty agreements for Svalbard and Greenland have not been allocated any values.

Funding the work program

The work of identifying a partner for our Chard leases has been demanding and tied-up most of our resources within the management and the board throughout 2011. There has been a lot of travel and meetings. Our experience so far shows that the Norwegian environment is not ripe for our project. Therefore, the focus has been exclusively international.

Such processes are time and resource intensive for a small company. Much time has elapsed in the search for qualified partners and the identification of investors for whom the project is suitable. Then carry out a due diligence process including technical, economic and financial, legal, transaction, terms and negotiation; inspection of the leases, meetings between the parties, preparation of agreements for the purchase and long-term project cooperation.

Chard joint venture partner

During the 1st quarter of 2012 we signed a farm-out agreement with the company Mercom Oil Sands Plc. comprising 50% of the Chard leases.

The new partner undertakes to cover 100% of a work program within a budget of CAD 2.5 million. The program will extend over about 13 months and includes up to 12 cores, laboratory investigations and analysis of the flow properties of the oil, third-party evaluation of resources for upgrading to contingent resources and potentially reserves. There will also be carried out an assessment of the production technology and a feasibility study for a pilot plant for early production.

In addition, we will receive CAD 0.7 million in cash to transfer 50% of the license rights upon completion. Our wholly-owned Canadian subsidiary, Norwegian Oil Sands will be the operator for the partnership through Norwegian Petroleum Inc.

The settlement of the agreement is twofold; buyer has already paid the first CAD 100,000 upon signing and CAD 600,000 is due at the time of settlement end of April. At the same time the farmee provides a bank guarantee of payment and proper settlement of the work program costs of CAD 2.5 million. This will be paid on an ongoing basis as needed during the project period.

If the result of the work program is as expected, there is a big upside for the partners through the confirmation of the commercially producible oil.

Valuation

The board has an optimistic view of the company's position with a partner in place. We consider it realistic to be able to prove up around 30-50 million barrels of recoverable resources following the first phase of the core drilling program. Core drilling will be primarily performed in a limited area of the north western part of the leases. There we have already defined an area of approx. 800 - 1000 acres with layers of 10-12 m thickness. A subsequent pilot production can thus be expected to come in this part of the area.

With the current prices of WTI oil the market and the economy in the oil sands projects is very good. Both the conditions of the transaction market and the provision for those in production are good.

In recent few years we have seen sales and transactions of between CAD 0.5 to 2.50 per barrel depending on what stage in the process towards production the companies have reached. With low volume figure for recoverable resources we estimate a value of CAD 15-25 million, for high volume numbers the value estimate is CAD 75-125 million calculated on 100% basis. Our company's share will be 50% of this.

The terms in the contract documents support our book value, which we now consider is well within the real and realizable values going forward. Buyer will pay CAD 3.2 million for a 50% share. This is equivalent to CAD 6.4 million (NOK 40 million) on 100% basis that reflects the company's market value and to a certain extent the book values.

Early production and cash flow

The company has a working interest in rights for oil and gas in the Carmangay area. As previously announced, during the Q1 2009 we drilled a well down to 1475 meters and several promising layers containing both oil and gas were discovered. Operator was our wholly owned subsidiary Norwegian Petroleum Inc.

The company has developed a work program for testing the oil zone in Carmangay. The program is estimated to cost CAD 0.5 million and is expected to give an oil production of about 167 barrels per day from the start, decreasing to 80 to 100 barrels per day during the first year. This is oil with API 17-20. The project has a very good CAD 2.7 million in net present value and an internal rate of return of 212%.

This is a farm-in agreement where we have a working interest of approximately 40%. If we further finance the planned program to CAD 0.5 million, we will increase our share to about 51%. Our gross share of production will probably be 40 to 80 barrels per day.

Our limited testing of the well during the spring/summer 2009 did not yield the expected results. We still consider it as very likely to achieve profitable production of oil with a new and expanded horizontal testing and completion of the well.

The new test will use radial drilling with horizontal hydraulic washout of the formation in four different directions for about 300 feet in length. This method is proven in similar formations and oil saturation, and will lead to increased inflows of oil to the well and hence improved production capacity and profitability.

In addition the well has a proven potential for production of shallow gas (Coal Bed Methane), though at current gas prices it has a very limited profitability. At higher natural gas prices development of the section and surrounding areas will be a profitable and value-added project.

Once we have completed the test and succeed in proving profitable production, we will decide on the completion and commencement of production. Upon success, we estimate that 1-2 million barrels of oil reserves will be allocated at a 100% basis.

Working capital and cash position

The company's cash position has been somewhat better in 2011 compared with our situation in 2009/10, but it is still a clear limiting factor for the company in developing opportunities. So far, the company and its shareholders have managed to raise the minimum working capital, but far too little long-term financing for investment and development of existing resources.

In Q2 2011 we have completed a private placement of NOK 3.285 million composed of a debt conversion of approx. NOK 0.345 million and a cash issue of approx. NOK 2.94 million, which together have ensured the continued operation of the company over the past 12 to 15 months.

The Board's assessment at the end of year is that the company stands with a firm balance sheet and book equity of NOK 75 million. Accrued liabilities represents less than NOK 0.6 million by the end of 2011. Only some minor and disputed creditors in Canada remain at the end of year. Current assets including bank deposits of NOK 0.7 million thus cover the short-term obligations.

The company's plans and outlook

With the agreement now signed, the company has secured important operational activity at Chard. Further, our goal is to conduct new production tests and commercial production from Carmangay. The challenge here is to find a partner or raise funds by other means.

The Board sees that the market for heavy oil is constantly improving and that there is a trend towards higher prices and an appreciation of such resources. New and improved technology reinforces this trend. With a new partner and financing in place, the execution of the work program is the main focus in 2012 and throughout 2013. The next 12-18 months will thus be both very exciting and hopefully positive for the company and its shareholders.

The company is debt free and has great opportunities.

Priorities and strategy for 2012-13

Now that the company has succeeded in finding a partner in Chard for a work program of about NOK 15 million (CAD 2.5 million), the main challenge is to optimally implement the work program with our partner Mercom Oil Sands Plc. Our aim is to complete the work program on budget and on schedule.

The Board will continue being aggressive in its search for additional funding based on a partner model for the work programs and get into production that will provide income as early as possible.

This can be summarized to the following main priorities and strategies for 2012-13:

- Further investment in the core program, eventually seismic and planning a pilot plant for early production at Chard
- New extended test of the oil zone at Carmangay and commercial production
- Acquisition of new exploration areas with great potential for commercial production
- A limited number of new exploration/production wells
- Assess the current OTC listings with other relevant options aimed at improving liquidity, higher valuation of the company's assets and thus secure the company's funding over the medium to long term

In addition, an active portfolio management is important, and we see a positive value in our operator status and our own expertise in Alberta, and will be further developed in line with activities in North America.

Carmangay represents an early production and revenue stream. Here we offer partners to enter into our agreement with Skyway and thus take part in a direct return from production. This investment amounts to CAD 0.5 million or about NOK 3 million. This will be implemented as soon as we have found a partner. Our working interest will be divided equally with your partner.

The company's governing bodies

The company's board performs an especially important function in light of the limited administration. The Board also devotes a significant amount of effort to the company, and has in 2011 held 13 board meetings and an expanded strategy meeting.

In connection with the Annual General Meeting, all shareholders are invited to a comprehensive presentation of the company's operations and plans - followed by an opportunity for questions and discussion.

Currency risk

With our interests and assets in Canada, we are exposed to currency risk. These are long-term ownership positions, and in such cases it is not normal practice to carry out currency hedging measures. Our company has not taken such precautions.

In the long run and as soon as the subsidiaries get into a revenue position, the companies normally will also have costs in the same currency.

Going concern

The Board believes that the company's leases represents a great upside and potential gains for shareholders. By virtue of the company's balance sheet at year end and the activities undertaken with respect to the recapitalization and possible agreements on lease level, the Board believes there is a good basis for further operations.

The going concern assumption is present and accounts for 2011 have been prepared on this assumption.

External environment

At present the Company is not operating in a manner which might be polluting to the global or local environment.

Research and development

Within the oil sand business very active research is carried out, both by the government and the companies themselves. This is however, capital- and resource demanding, and is mostly carried out primarily by the large companies. We are in these matters maintaining close contact with a couple of the larger companies, which are doing extensive work in this field. The company as such is not conducting any R&D work ourselves.

Working environment – equality work

The company has no discriminatory practices or policies. Since the company has no employees in the legal sense, there are no further comments to this point.

Shareholders

The company now has 1,231 shareholders, of which 53 foreign shareholders.
The share is quoted on the OTC list of Securities Dealers' Association under the ticker NOPE. The shares are regularly traded.

Annual results and allocations

Annual result for the parent and group was respectively NOK –1,698,335 and NOK –2,954,356. This is substantially lower than last year when we took write-downs and losses on shares that were sold during the year.

The Board proposes the following allocation of the annual results of the parent company Nordic Petroleum AS:

Annual results:	NOK - 1,698,335
Transferred from other Share Capital:	NOK - 1,698,335
Total transferred:	NOK - 1,698,335

Fredrikstad, 21. March 2012

The Board of Directors of Nordic Petroleum AS

Øistein Nyberg
Chairman

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Kjell Øivind Hansen	**Svein Ove Bjørnestad**	**Per Gunnar Løge**
Board Member	**Board Member**	**Board Member**

Arild Tolfsen
CEO

Income statement

Nordic Petroleum AS

Parent 2010	Parent 2011	Text	Note	Group 2011	Group 2010
891 000	833 340	Revenue		0	0
891 000	**833 340**	**Operating Income**		**0**	**0**
609 037	568 698	Wages	3	597 425	885 037
2 006 584	2 009 057	Other operating expenses	4	2 366 723	5 878 699
-1 724 621	**-1 744 415**	**Operating profit / -loss**		**-2 964 148**	**-6 763 736**
20 836	42 443	Other interests income		42 443	20 836
600 998	58 479	Other financial income	10	1 723	1 794
170 925	18 499	Other interests expenses		18 499	170 925
5 724 364	36 342	Other financial expenses	10	15 874	1 488
-6 998 076	**-1 698 335**	**Operating loss before tax**		**-2 954 356**	**-6 913 519**
-6 998 076	**-1 698 335**	**Net loss**		**-2 954 356**	**-6 913 519**
		Transferrals:			
-6 998 076	-1 698 335	Transferred to/from other equity	9		
-6 998 076	**-1 698 335**	**Total allocated loss**			

Balance sheet

Nordic Petroleum AS

Parent 2010	Parent 2011	Text	Note	Group 2011	Group 2010
		Assets			
		Non current assets			
		Intangible assets			
0	0	Investment in oil and gas leases	2	62 331 216	62 331 216
0	**0**	**Total intangible assets**		**62 331 216**	**62 331 216**
		Financial fixed assets			
62 331 216	62 331 216	Investments in subsidiaries	5	0	0
10 665 567	12 148 112	Loan to group companies	6	0	0
120 000	120 000	Investments in shares		120 000	120 000
73 116 783	**74 599 328**	**Total financial fixed assets**		**120 000**	**120 000**
73 116 783	**74 599 328**	**Total non current assets**		**62 451 216**	**62 451 216**
		Current assets			
		Receivables			
162 271	164 173	Other receivables		948 443	865 339
162 271	**164 173**	**Total receivables**		**948 443**	**865 339**
477 749	**544 943**	**Cash and cash equivalents**		**598 131**	**703 503**
640 020	**709 116**	**Total current assets**		**1 546 574**	**1 568 842**
73 756 802	**75 308 444**	**Total assets**		**63 997 790**	**64 020 058**

Balance sheet

Nordic Petroleum AS

Parent 2010	Parent 2011	Text	Note	Group 2011	Group 2010
		Equity and Liabilities			
		Equity			
16 583 458	19 868 458	Share capital	8, 9	19 868 458	16 583 458
56 745 395	54 890 371	Additional paid in capital	9	43 456 717	46 589 117
73 328 853	**74 758 829**	**Total equity**		**63 325 176**	**63 172 575**
		Accumulated profits and loss			
73 328 853	**74 758 829**	**Total equity**		**63 325 176**	**63 172 575**
		Liabilities			
		Current liabilites			
356 511	417 791	Accounts payable		540 791	500 044
30 942	131 824	Public duties payable		131 824	30 942
40 496	0	Other current liabilities		0	316 496
427 949	**549 615**	**Total current liabilites**		**672 615**	**847 482**
427 949	**549 615**	**Total liabilities**		**672 615**	**847 482**
73 756 802	**75 308 444**	**Total equity and liabilities**		**63 997 790**	**64 020 058**

Fredrikstad, Norway 31.12.2011/21.03.2012

Note 1 – Accounting principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway

Consolidated accounts

The consolidated accounts show the Group's loss and financial position as one legal entity and they are a collective statement of all the companies in the Group. Subsidiaries are defined as companies wher the parent company direct or indirect owns more than 50% of the shares, or exercises control over the company through shareholder agreements.

Basis for consolidation

The consolidated accounts includs the parent and all of its subsidiaries. The consolidated accounts are based on consistent accounting principles. Subsidiaries are translated to Norwegian GAAP prior to consolidation. Intercompany transactions, receivables and debt are eliminated.By purchase of companies, the purchase price is eliminated against the equity in the purchased company. The excess value at the time of purchase is allocated to the items to which the excess value relates.

Classification

Assets and liabilities relating to the normal operating cycle are classified as current assets and current liabilities. Other assets and liabilities are classifies as non-current. Current assets are valued at lowest of cost or market value. Current debt is vauled at nominal value. Non-current assets are valued at original cost, less accumulated depreciation and write-downs. When there are indications of impairment, non-current assets are written down to a recoverable value. Non-current debt is valued at nominal value. Dividend from subsidiaries is recognized as income when paid.

Receivables

Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessments of the different receivables.

Foreign currency translation

Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date

Property, plant and equipment

Property, plant and equipment is capitalized and depreciated over the estimated useful life, if estimated liftime exceeds three years and the original cost is more than NOK 15 000. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset.

Tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities. Deferred tax is calculated as 28 percent of temporary differences and the tax effect of tax losses carried forward. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilized.

Exploration of oil and gas reserves

Expenses related to exploration, other than expenses relating to wells and purchase of land leases and rights, are expensed. Exploration expenses, except expenses related to exploration wells and purchase of exploration licenses, are currently expensed. Drilling expenses connected to exploration wells are capitalized when the results of the drilling are available. If profitable reserves of oil and/or gas occurrences are not found, the drilling costs will be expensed. Purchased exploration licenses are transported to the area covered by the license, and are expensed if no profitable reserves of oil or gas have been found in the area covered by the license.

Shares in subsidiaries

Investments in subsidiaries are valued at cost

Note 2 – Land rights and leases

Group

Company	Kind	Field	Geographic	Number of sections	Part
Norwegian Oil Sand Corp	Oil sand	Athabasca	Canada	81 Kvm2	100 %
Norwegian Petroleum Inc	Discovery Point Gas	Carmangay	Canada	1	41 %

For further description of the fields, we refer to the Board of Directors report

Note 3 – Salary and personell costs, number of employees, loans to employees etc

The Company had no employees during 2011 and 2010. The management is hired from outside companies for both the parent and subsidiary companies.

Parent Company			Group	
2010	2011	Wages	2011	2010
100 000	0	Wages and remuneration	0	100 000
335 000	488 720	Board member fees	517 447	611 000
63 646	79 978	Social security payments	79 978	63 646
0	0	Pension costs	0	0
110 391	0	Other	0	110 391
609 037	568 698	Total wages	597 425	885 037
0	0	Man-years	0	0

As the Company has no employees, the Company is not obliged to have a pension plan in accordance with the Act relating to Mandatory occupational pensions

Parent Company			Group	
2010	2011	Honorarer og godtgjørelser	2011	2010
600 000	700 000	Managing director, hired	700 000	600 000
100 000	0	Subsidiary Directors	0	100 000
640 426	642 061	DBA Nyberg Management & Engineering	642 061	640 426
0	69 000	Loge Resources AS	69 000	0
1 340 426	1 411 061	Total invoiced	1 411 061	1 340 426

Options, with a strike at NOK 0,10, equivalent to 40.000.000 shares is granted to the board of directors and members of management; note 8

Auditor

Expensed audit fee for the parent company is kr 75.000. For the Group the audit fee is expensed with is expensed with kr 75.000. All amounts exclusive vat.

Note 4 – Other operating expenses

Parent Company			Group	
2010	2011		2011	2010
185 749	188 730	Administrative services and legal services	274 438	185 749
810 625	642 061	Expenses related to Canada	847 049	984 000
0	0	Loss on disposal of assets	0	3 654 642
1 010 210	1 178 266	Other operating expenses	1 245 236	1 054 308
2 006 584	2 009 057	Total other operating expenses	2 366 723	5 878 699

Note 5 – Subsidiaries and associated companies

Company	Location	Ownership share	Share of votes
Nordic America's Inc	Canada	100 %	100 %

Note 6 – Intercompany receivables

Parent Company		**2011**	**2010**
Intercompany receivables	Receivables from group companies	12 148 112	10 665 567
	Inter-company loans payable	0	0

No guaranties or bailments are issued in favour of the subsidiaries.

Note 7 – Tax

Parent Company			Group	
2010	**2011**	***Income tax expense***	**2011**	**2010**
0	0	income tax ordinary result	0	0
		Income Tax payable		
-6 998 076	-1 698 335	Ordinary result pre tax	-2 954 356	-6 913 519
5 615 396	-137 074	Permanent differences	-742 413	3 589 162
0	0	Changes in loss carried forward	0	0
-1 382 680	-1 835 409	Basis tax payable	-3 696 769	-3 324 357
		Temporary differences		
		Temporary differences to be off set		
-22 199 526	-24 034 935	Loss carried forward	-39 727 266	-36 030 497
-22 199 526	-24 034 935	Total temporary differences	-39 727 266	-36 030 497
-6 215 867	-6 729 782	Deferred tax asset	-10 022 631	-9 081 367
		based on 28% tax rate in Norway and 21% tax rate in canada		

Due to uncertaincy related to future utilization of the loss carried forward, the tax asset is not included in the balance sheet

Note 8 – Share capital, shareholdes and options

The share capital of the Parent Comany consist of 331.669.166 common shares at a par value of kr 0,05.
The largest shareholders at December 31.:

		Number of shares	Ownership share	Voting share
1	Keppoch Energy Ltd.	32 590 000	8,20 %	8,20 %
2	Pan Pacific Land Corp.	21 180 000	5,33 %	5,33 %
3	Hong Invest AS	18 000 000	4,53 %	4,53 %
4	Harry Skare	11 050 000	2,78 %	2,78 %
5	Kjell Hansen	10 259 854	2,58 %	2,58 %
6	Finn Personal Search Selection	10 000 000	2,52 %	2,52 %
7	Tormod Holst	10 000 000	2,52 %	2,52 %
8	Ivar Molvær	10 000 000	2,52 %	2,52 %
9	Loge Resources AS	7 481 167	1,88 %	1,88 %
10	Bjug A. Borgund AS	6 742 000	1,70 %	1,70 %
	Other shareholders	260 066 145	65,45 %	65,45 %
	Totalt	397 369 166	100 %	100 %

Shares held by officers of the Company		Own	Related parties	Total
Arild Tolfsen	Managing Director	5 664 823	5 886 456	11 551 279
Øistein Nyberg	Chairman of the oard of Directors	5 867 074	0	5 867 074
Kjell Hansen	Member of the Board of Directors	10 259 854	0	10 259 854
Per Gunnar Løge	Member of the Board of Directors	1 371 765	7 481 167	8 852 932
Svein Ove Bjørnestad	Member of the Board of Directors	0	18 000 000	18 000 000
		23 163 516	**31 367 623**	**54 531 139**

40.000.000 subscribtion rights are issued, price kr 0,10, owned by following at December 31.;

	Number	Due	Position
Arild Tolfsen	15 000 000	25.05.2013	Managing Director
Øistein Nyberg	10 000 000	25.05.2013	Chairman
Kjell Hansen	5 000 000	25.05.2013	Boardmember
Per Gunnar Løge	5 000 000	25.05.2013	Boardmember
Svein Ove Bjørnestad	5 000 000	25.05.2013	Boardmember
Total	**40 000 000**		

Note 9 – Equity

Parent Company

	Share capital	Paid in premium	Other equity	Total
Equity 01.01	16 583 458	56 745 395	0	73 328 853
Share issue	3 285 000			3 285 000
Expenses charge through equity		-156 689		-156 689
Gain/Loss for the year			-1 698 335	-1 698 335
Transferrals		-1 698 335	1 698 335	0
Equity 31.12	19 868 458	54 890 371	0	74 758 829

Group

	Share capital	Paid in premium	Other equity	Total
Equity 01.01	16 583 458	46 589 117	0	63 172 575
Share issue	3 285 000	0		3 285 000
Expenses charge through equity		-156 689		-156 689
Convertion difference		-21 354		-21 354
Loss for the year			-2 954 356	-2 954 356
Transferrals		-2 954 356	2 954 356	0
Equity 31.12	19 868 458	43 456 718	0	63 325 176

Note 10 – Currency

Included in other financial income is exchange gain of kr 58.479, included in other financial expenses is exchange loss of kr 36.342. During 2010, the exchange gain was kr 599.205 and exchange loss kr 43.488. For the Group exchange gain is kr 1.723 and gain loss kr 15.874. For 2010 the exchange loss for the group was kr 1.587.

Fredrikstad December 31. 2011
March 21. 2012

Øistein Nyberg, Chairman of the Board	Kjell Hansen, Board member	Per Gunnar Løge, Board member
(sign)	(sign)	(sign)

Svein O. Bjørnestad, Board member	Arild Tolfsen, Managing Director
(sign)	(sign)

Nordic Petroleum AS **Cashflow statement**

	Nordic Petroleum AS		Nordic Petroleum Group	
	2010	**2011**	**2011**	**2010**
Cash flow from operating activities				
Loss before tax	-6 998 076	-1 698 335	-2 954 356	-6 913 519
- Taxes paid	0	0	0	0
+ Loss financial assets	4 596 001	0	0	3 654 642
+/- Changes in other accruals	-1 268 465	119 763	-279 327	-1 327 995
= Net cash flow from operating activities	**-3 670 540**	**-1 578 572**	**-3 233 683**	**-4 586 872**
Cash flow from investing activities				
- Other investments	0	0	0	-43 989
+ Sale of shares	370 000	0	0	370 000
- Purchase of shares	-120 000	0	0	-120 000
+ Loan group companies	-940 147	-1 482 545	0	0
= Net cash flow from investing activities	**-690 147**	**-1 482 545**	**0**	**206 011**
Cash flow from financing activities				
+ increased share capital	4 038 468	3 128 311	3 128 311	4 038 468
= Net cash flow from financing activities	**4 038 468**	**3 128 311**	**3 128 311**	**4 038 468**
Net change in cash and cash equivalents	**-322 219**	**67 194**	**-105 372**	**-342 393**
Cash and cash equivalents at 01.01	799 968	477 749	703 503	1 045 896
= Cash and cash equivalents at 31.12	**477 749**	**544 943**	**598 131**	**703 503**
Cash and cash equivalents consist of				
Cash and bank deposits at 31.12	477 749	544 943	598 131	703 503
=Total cash and cash equivalents at 31.12	**477 749**	**544 943**	**598 131**	**703 503**

Revisjons Compagniet

To the Annual Shareholders' Meeting of
Nordic Petroleum AS

AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Nordic Petroleum AS, comprising the financial statements for the Parent Company, showing a loss of NOK 1 698 335, and the Group, showing a loss of NOK 2 954 356. The financial statements for the Parent Company and the Group comprise the balance sheet as at December 31, 2011, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officers' responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations and auditing standards and practicies generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used an the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nordic Petroleum AS and the Group as of December 31, 2011 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance engagements other than audits or reviews of historical financial information", it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Moss, April 2nd, 2012
RevisjonsCompagniet AS

Nils-Kristian Krogh
State Authorized Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)