ANNUAL REPORT 2012
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Statements

Statement by the Management

The Board of Directors and the Board of Management have today presented the annual report of NUNAOIL A/S for the financial year 1 January - 31 December 2012.

The annual report has been presented in accordance with the Financial Statements Act.

We consider the accounting policies used to be appropriate, and it is our view that the financial statements give a true and fair view of the Company’s assets, liabilities and financial position as at 31 December 2012 as well as of the results of the Company’s operations and cash flows for the financial year 1 January – 31 December 2012.

In our opinion, the management review gives a true and fair account of the issues described in the review.

We recommend that the annual report be adopted by the Annual General Meeting.

Nuuk, 18 February 2013

Board of Management

Hans Kristian Olsen

Board of Directors

Kaare Hagemann
   Chairman

Frank Dinhoff Pedersen
   Vice-chairman

Lida Skifte Lennert
   Tine Pars
   Peter Helmer Steen
The independent Auditor’s Statements

To the shareholder of NUNAOIL A/S

Endorsement on the annual report
We have audited the annual report of NUNAOIL A/S for the financial year 1 January - 31 December 2012 covering accounting policies, income statement, balance sheet, cash flow statement and notes. The annual report has been prepared in compliance with the Financial Statements Act.

Responsibility of the Management for the annual report
The Board of Directors and the Board of Management are responsible for the preparation of an annual report in compliance with the Financial Statements Act. Moreover, the Management is responsible for the internal control deemed necessary by the Management in order to prepare and annual report that is free from material misstatement, whether or not this is due to fraud or error.

The auditor’s responsibility
Our responsibility is to express an opinion on this annual report based on our audit. We have conducted the audit in compliance with international auditing standards and additional requirements under the Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence of amounts and disclosures in the annual report. The procedures selected depend on the auditor’s assessment, including the assessment of the risks of material misstatement in the annual report, whether or not this is due to fraud or error. In making such risk assessment, the auditor considers internal controls relevant to the Company’s preparation and fair presentation of the annual report. The purpose hereof is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of the accounting policies applied and the reasonableness of the accounting estimates made by the Management as well as evaluating the overall presentation of the annual report.

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

Our audit has resulted in no qualifications.

Opinion
In our opinion, the annual report provides a true and fair view of the Company’s assets, liabilities and financial position as at 31 December 2012 and of the results of the Company’s operations and cash flows during the financial year 1 January - 31 December 2012 in compliance with the Financial Statements Act.

Nuuk, den 18. februar 2013

Grønlands Revisionskontor A/S
state-authorised public accountants

Knud Østergaard
state-authorised public accountant
Management Review

Company Information

The company
NUNAOIL A/S
Tuapannguit 38
P.O Box 579
GL-3900 Nuuk

Telephone: +299 32 87 03
Telefax: +299 32 87 04
Registration No.: 68.116
Founded: 23. januar 1985
Registered office: Kommuneqarfik Sermersooq
Financial year: 1. january - 31. december

Board of Directors
Kaare Hagemann, Åsvinget 4, 3 tv., 2665 Vallensbæk Strand, Chairman.
Frank Dinhoff Pedersen, Munkerudåsen 10B, 1165 Oslo, Vice-chairman.
Lida Skifte Lennert, Rue D’alon 73, 1040 Bruxelles.
Tine Pars, Saqqarlernut 6, 3900 Nuuk.
Peter Helmer Steen, Åtoften 27, Nivå.

Board of Management
Hans Kristian Olsen, Isaajap Aqqutaa 28, 3900 Nuuk.

Auditor
Grønlands Revisionskontor A/S, state-authorised public accountants.

General meeting
The annual general meeting is held on 24 April 2013.
## Key Figures and Financial Ratios

<table>
<thead>
<tr>
<th></th>
<th>2012 DKK 1,000</th>
<th>2011 DKK 1,000</th>
<th>2010 DKK 1,000</th>
<th>2009 DKK 1,000</th>
<th>2008 DKK 1,000</th>
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<td><strong>Income statement:</strong></td>
<td></td>
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<tr>
<td>Revenue</td>
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<td>16,848</td>
<td>23,980</td>
<td>13,089</td>
<td>28,067</td>
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<td>Gross profit or loss</td>
<td>-2,404</td>
<td>10,940</td>
<td>20,222</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>before financial items</td>
<td>-12,455</td>
<td>835</td>
<td>11,338</td>
<td>-12,859</td>
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<td>Net financials</td>
<td>478</td>
<td>320</td>
<td>1,353</td>
<td>945</td>
<td>2,103</td>
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<tr>
<td>Net profit or loss for the year</td>
<td>-11,977</td>
<td>1,155</td>
<td>12,691</td>
<td>-11,914</td>
<td>1,097</td>
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<td><strong>Balance sheet:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Balance sheet total</td>
<td>65,531</td>
<td>71,147</td>
<td>80,169</td>
<td>50,025</td>
<td>59,524</td>
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<td>Equity</td>
<td>45,009</td>
<td>56,985</td>
<td>55,831</td>
<td>43,140</td>
<td>55,054</td>
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<td><strong>Cash flows:</strong></td>
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<td>Operating activities</td>
<td>-5,067</td>
<td>14,174</td>
<td>1,844</td>
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<td>Investing activities</td>
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<td>Financing activities</td>
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<td>567</td>
<td>0</td>
<td>12,567</td>
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<td><strong>Employees:</strong></td>
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<td>Average number of full-time employees</td>
<td>8</td>
<td>8</td>
<td>7</td>
<td>7</td>
<td>6</td>
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<td>**Financial ratios: **</td>
<td></td>
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<tr>
<td>Net profit ratio</td>
<td>5.0</td>
<td>47.3</td>
<td></td>
<td></td>
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<tr>
<td>Solvency ratio</td>
<td>68.7</td>
<td>80.1</td>
<td>69.6</td>
<td>86.2</td>
<td>92.5</td>
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<tr>
<td>Return on equity</td>
<td>2.0</td>
<td>25.6</td>
<td>0.0</td>
<td>2.3</td>
<td></td>
</tr>
</tbody>
</table>

*) The financial ratios have been calculated in accordance with “Anbefalinger og Nøgletal 2010” [guidelines and financial ratios 2010] issued by Den Danske Finansanalytikerforening [Danish Society of Financial Analysts]. Financial ratios with negative values have not been stated. Definitions of the financial ratios appear from the section on accounting policies.
Statement to Inatsisartut
This annual report complies with the statutory requirements as to the presentation of financial statements and also constitutes the statutory annual report to Greenland’s legislative assembly Inatsisartut in compliance with the Inatsisartut Act No. 15 of 7 December 2009 on NUNAOIL A/S.

Management Review 2012

The management review has been prepared on the basis of the recommendations issued by Naalakkersuisut in the “Report on ownership and development of the limited companies owned fully or partly by the Self-Government authorities” from August 2011 and “Guidelines on Corporate Governance in the limited companies owned fully or partly by the Self-Government authorities” from December 2012. The management review also takes into account announcements and requests on the part of the Greenland Self-Government authority as owner.

NUNAOIL’s business area
NUNAOIL A/S (in the following called NUNAOIL) is Greenland’s national oil company which is owned by the Greenland Self-Government authorities. NUNAOIL handles and is responsible for the participation of the Greenland Self-Government authorities in all licences (in the following called the “licences”) for exploration and exploitation of oil and gas (hydrocarbons) in Greenland and contributes to the development of tasks relating hereto.

In recent years, Greenland has experienced an unprecedented international interest in the hydrocarbon potential in the Greenland offshore areas. By the end of 2012, the total number of licences was 20 which covered waters of a total of 202,175 km². NUNAOIL expects the number of licences to increase in the next few years as new licensing rounds for the Greenland Self-Government authorities’ award of licences will follow in 2013 and 2014 in the Greenland Sea off North-East Greenland. Please see an overview of the oil companies that NUNAOIL works with in each licence, Annex 1, and a licence map, Annex II.

NUNAOIL is a partner in all 20 licences and participates as a carried (non-paying) partner in the exploration phase with an ownership interest ranging from 8 to 12.5%.

A licence is normally awarded for an exploration period of 10 years. The obligations and work between the partners in the Joint Venture is regulated by the Joint Operating Agreement (JOA) which is negotiated between all partners of the license, including NUNAOIL. The agreements include, for example, legal and financial aspects that define and constitute the basis of the co-operation on the exploration activities during the entire licensing period.
Moreover, in the licence, an operator committee and a technical committee have been set up in which all licence partners are represented and which meet at least four times annually to discuss and decide on operational, technical, financial and other aspects of ongoing and future exploration activities. The daily management of legal and commercial tasks in relation to the licences are handled jointly by the managing director, the lawyer and the economist of NUNAOIL.

Through its partnerships, NUNAOIL obtains all geological, geophysical and technical data that are acquired in connection with the exploration activities within all licences. Moreover, NUNAOIL also acquires different types of technical data outside the licensing acreage to the extent this is possible. The processing of the various types of data, including especially seismic data and information from exploration drillings, is the most important activity to better understanding where and possibly how large a quantity of hydrocarbons may potentially be found.

In addition to the assessment of the volume of potential hydrocarbons, NUNAOIL also applies other established methods to assess the uncertainty / risk related to the hydrocarbon potential and the value of potential quantities of hydrocarbons. Along with the ongoing processing of data and in close co-operation with its partners, NUNAOIL contributes to accumulating and rooting detailed technical and commercial know-how and knowledge contributing towards the co-ordination and exploitation of hydrocarbons to the benefit of Greenland and the licence partners.

**Strategy and action plan 2013-18**

So far, NUNAOIL’s development has been based on the strategy and action plan 2009-14. In continuation of the implementation of the Act on Greenland Self-Government and the growing exploration activities for hydrocarbon, Naalakkersuisut wants to assess how NUNAOIL is to develop and what tasks the Company is to perform. Naalakkersuisut has therefore worked out a “Report on NUNAOIL A/S” dated May 2012. In continuation of this report, NUNAOIL has worked out a new strategy and action plan 2013-18 with the following mission statement, vision and objectives.

**Mission statement**

NUNAOIL’s mission is to participate actively in the exploration and extraction of hydrocarbons in Greenland by being a partner in all hydrocarbon licences awarded to oil companies in order to ensure that Greenland achieves the greatest possible socio-economic benefit as well as to participate actively in the enhancement and rooting of knowledge and know-how in Greenland.
Vision
NUNAOIL's vision is to develop into a non-operative oil company in compliance with Nalakkersuisut’s indications to this effect.

Objectives
The above mission statement and vision constitute the basis of NUNAOIL’s daily operations and entail a gradual development of the Company. The 3 phases included in the achievement of the objectives are:

• Phase 1: NUNAOIL participates as a carried, “non-paying” partner during the exploration phase of all hydrocarbon licences in Greenland (the current situation).

• Phase 2: Commercial discovery. The development of a non-operational organisation through the inflow of technical, administrative and commercial resources as well consultancy assistance. Need for capital for participation in the production.

• Phase 3: Fully developed non-operative oil company. In this phase, the owner may decide whether the Company should be expanded for operational purposes.

Fase 1
The current situation is characterised by that most likely any oil and gas production lies at least 15 years ahead. The number of licences is growing and is expected to increase further as a result of licensing rounds in North-East Greenland in 2012/13. The participation in the numerous licences requires the organisation to prioritise the most important tasks.

Current status
• Disko West province has to a certain degree stagnated due to basalts and difficulties with seismic imaging of, and through, the basalts.
• Baffin Bay province will in the period, 2013 – 15 be characterized by acquisition and evaluation of large quantities of data for the generation of possible drilling prospects. Planning and preparation of drillings are expected to be more demanding in terms of health, environment, safety, logistics and finances. Baffin Bay is a main focus area for NUNAOIL in the current strategy and action plan.
• Nuuk West province is still regarded as an interesting geological province. NUNAOIL is accumulating regional understanding where a comparison with the data acquired on the Canadian side is important.
• Cape Farewell province is the least explored area of West Greenland, and is regarded as interesting although the operative conditions are difficult. Obtaining knowledge about the Canadian side at Labrador is crucial to understanding the area.
• North-East Greenland will most likely see an increasing activity in the period 2014 – 18. For NUNAOIL this area has high priority, but the acreage is characterized by severe ice and complex operative conditions compared to West Greenland.
• Future licensing rounds.
Phase 2
During this phase, NUNAOIL’s organisation is to be built into a non-operative oil company that, in consultation with its owner, can participate in the decision-making concerning participation, field development and production in the licences, all with a view to ensuring Greenland the greatest possible socio-economic benefit. In 2010, NUNAOIL submitted a report on “Clarification of scenarios for the financing of NUNAOIL’s participation in future oil and gas field expansions in Greenland”, prepared by a working group consisting of experts from all relevant areas. The financing challenge of expansion is currently changing in relation to the maturing of areas, changes in the financial climate and the financing models and sources available. Clarification of what the financing options are at the time when the status of non-paying partner ceases is therefore an ongoing task for the Company.

Fase 3
During this phase, the Company will be fully developed to handle Greenland’s interests as a partner in several expansion and production projects. During this phase, the owner will have the opportunity of deciding whether NUNAOIL is to develop into an operative oil company.

Organisational development 2013 - 2018
The increasing level of activity in the exploration phase in terms of both number of licences, quantities of data and the technical and operative complexity require great organisational skills from NUNAOIL. The growing number of licences combined with the increased educational funds that are made available in the new licences provides additional opportunities for creating trainee jobs and more long-term posting of NUNAOIL staff.

Framework cooperation agreements with international companies and institutions open up the opportunity of exchanging employees, which will enhance the competencies as well as the training of NUNAOIL’s employees. In case of a commercial discovery, the altered conditions and requirements will result in further enhancement of the capacity and competencies of NUNAOIL’s own employees, supplemented with the assistance of consultants.

Employee development 2013 - 2018
Recruitment plans are to be worked out to ensure the necessary intake of staff during this period. New staff will be on a replacement basis. New appointments will mainly be made via the educational funds from the licences (Appendix 4) where trainee jobs and/or postings for employees both ensure that the quality of the education and of the skills is comparable to that of the oil industry and that the operating accounts are burdened as little as possible. Education and training plans will be set up for all employees. Postings, courses and other further training and education are to constitute the basis for the development of skills in interaction with current and future tasks.

Financial results for 2012
The financial results for the year show a loss of DKK 12.0 million. Contrary to the preceding year, the sale of seismic data was insignificant in 2012 which is the reason for the negative result for the year.
It is expected that NUNAOIL will be running at a loss until discoveries of hydrocarbons are made and until such discoveries are put into commercial production.

NUNAOIL’s share capital amounts to DKK 10 million, whereas the Company’s equity amounts to DKK 45.0 million in 2012. The Company’s total cash flows have been negative in the sum of DKK 3.6 million.

**Post-balance sheet events**
No event has occurred since the balance sheet date which substantially affects the assessment of the annual report.

**Activities**

In 2012, NUNAOIL was a carried partner in 20 active licences covering an exploration area totalling 202,175 km². During 2012, there were no changes compared to 2011 in terms of the hydrocarbon licence acreage. Generally, NUNAOIL holds an ownership interest of 12.5% of all licences, except for the areas regulated by the authorities according to an “open door” policy, i.e. south-west of Greenland in the Cape Farewell province where NUNAOIL holds an interest of 8%. In 2012, no exploration wells for hydrocarbons were drilled in Greenland, but nevertheless, the exploration activity in the licences in the Baffin Bay area in the northernmost part of West Greenland was significant. The exploration activities included the acquisition of both 2D and 3D seismic data as well as stratigraphic core drillings that will jointly contribute to a significant improved understanding of the geology of the licence areas.

**Other operations**

In co-operation with TGS, NUNAOIL collected approx. 100 samples from the bottom of the sea in the area off Nuuk (the Nuuk West province) and similarly in North-East Greenland. The samples have provided new and interesting information on the hydrocarbon potential in the areas, and the data acquired will be made available for sale.

In 2012, seismic data were sold at a total of DKK 7.2 million, which data were acquired by the KANUMAS Group in North-East Greenland in the early 1990s. According to the KANUMAS agreement, revenue from the sale of date accrues to NUNAOIL, and, following discussions with the
KANUMAS Group and approval by the Bureau of Minerals and Petroleum, such revenue is to be used for hydrocarbon-related exploration activities in Greenland where information obtained from the exploration activities is to be made available to the KANUMAS Group free of charge.

In North-East Greenland, TGS also acquired approx. 3,400 km of multi-client/speculative seismic data which will be able to contribute to an improved basis for a database in the ongoing and future licensing rounds in the area. Moreover, in co-operation with ION Geophysical, ARKeX has acquired aero gravimetric data in the licensing-round area.

**BAFFIN BAY**

Until now, this is the northernmost province and the least explored area off West Greenland. The area covers approx. 133,000 km², and there are a total of five licences in the area which were awarded at the end of 2010. See fig. 1.

During the period from August until October and with Shell as operator, stratigraphic core drillings were undertaken by the scientific drill ship “Joides Resolution” on behalf of all licence holders in Baffin Bay. In total, 1,932 metres were drilled across 11 drilling sites. Detailed studies of the core samples are currently ongoing, and these studies will contribute extensive and important knowledge for further exploration in the area.

The American oil company ConocoPhilips is the operator of licence 2011/11 “Qamut”. The partners are DONG Energy (in the following called DONG) and NUNAOIL. From mid-August to the end of September 2012, 3,298 km of 2D seismic data were acquired with a view to a more detailed evaluation of the prospectivity. The data acquired are expected to be ready for interpretation/evaluation during the first calendar quarter of 2013.

The Dutch/British oil company Shell is the operator of the licences 2011/12 “Anu” and 2011/14 “Napu” and is a partner together with Statoil, GDF Suez and NUNAOIL. From early August until mid-October, 7,194 km² of 3D seismic data were acquired by means of two seismic vessels (and four accompanying vessels). So far, this is the most extensive acquisition of 3D seismic data in Greenland and in the Arctic. The evaluation of the data is expected to start in the first calendar quarter of 2013.

The Scottish oil company Cairn Energy (in the following called Cairn) is the operator of 2011/13 “Pitu”, and on 1 June, Statoil joined as a partner. In 2012, the main focus was on the interpretation and evaluation of approx. 1,500 km² of 3D seismic data that were acquired in 2011 and the collection samples from the bottom of the sea for geochemical analyses during the summer of 2012.

![Fig. 1. Map of licenses in the Baffin Bay region.](image)
The Danish oil company Maersk is the operator of licence 2011/15 “Tooq”, and in September 2012, Tollow Oil joined as a partner. From early August until early October, 1,814 km² of 3D seismic data were acquired. Moreover, hydrographic data and samples from the bottom the sea were acquired for geochemical analyses. Already by the end of 2012, the first version of the 3D seismic data was available for evaluation, and the final data set has been planned for the spring of 2013.

**DISKO WEST**
The area covers just over 130,000 km² and became subject to licensing in 2007 and 2008. Cairn Energy drilled a total of five wells in 2010 and 2011. A geological characteristic of large parts of the province is the impact of basalts, which makes especially the seismic interpretation very difficult. There are a total of eight licences in this province, and several licences have fulfilled the work programmes set up by the authorities, and the first of a total of three sub-periods covering altogether a period of 10 years is now drawing to a close. See fig. 2.

The Canadian oil company Husky is the operator of the licences 2007/22 “Kangerluk” and 2007/24 “Ikermiut”, and NUNAOIL is the sole partner. The licences are in their first sub-period which was extended by two years until 2014. During 2012, special importance was attached to the evaluation of 3D seismic data which were acquired in 2009 in order to be able to assess the potential of the area for exploration drillings over the next years.

The Danish oil company DONG is the operator of the licence 2007/26 “Puilasoq”. Chevron, ExxonMobil and NUNAOIL are partners. In 2011, the first sub-period of the licence was extended by one year to the end of 2012. In 2012, the technical efforts in the licence focused on the re-processing of existing 2D seismic data with a view to increased and improved illustration of seismic data.

The American ExxonMobil is the operator of the licence 2007/27 “Orsivik” with Husky and NUNAOIL as partners. In 2011, the first sub-period of the licence was extended by one year to the end of 2012. In 2012 the partnership assessed by future course of the work in the licence area.

By the end of 2012, the exploration licences 2007/26 “Puilasoq” and 2007/27 “Orsivik” were returned as – on the basis of the current technology - it is difficult to achieve the proper degree of seismic imaging in the relevant geological sections.

Cairn is the operator of the licences 2008/10 “Sigguk” and 2008/11 “Eqqua” with NUNAOIL as partner. Petronas which previously had an ownership interest of 10% withdrew at the beginning of 2012 and transferred its ownership interest to Cairn. Both licences are in their first sub-period which expires by the end of 2012. During 2012,

![Fig. 2. Map of licenses in Disko West region.](image)
great importance has been attached to attempting to integrate the results of the three drillings from 2010 in “Sigguk” in the light of the new results from Gamma-1 in “Eqqua”. Together with an improved geological understanding of the area, the results of this evaluation will constitute the basis of any further activity within the licences.

Cairn is the operator of the licences 2011/16 “Napariaq” and 2011/17 “Ingoraq” with NUNAOIL as the sole partner. Both licences were awarded under the “Baffin Bay” licensing round at the end of 2010. As these licences are geologically (and geographically) in the Disko West area, they are described here. Both licences are in their first sub-period which runs until mid-2013.

The main activity in 2012 was the assessment of the results from the Delta-1 drilling in the “Napariaq” licence undertaken in 2011. Together with an improved geological understanding of the area, the results of this evaluation will constitute the basis of any further activity within the licences.

DAVIS STRAIT – “NUUK WEST”

The area covers more than 135,000 km² between 63° and 67° N. The oil exploration activities in the 1970s, in 1990 and in 2000 focused on this area which is also the area where the majority of the total of the 14 wells drilled in Greenland so far is located. See fig. 3.

By the end of 2012, there are three active licences in this province: 2002/15 “Atammik”, 2005/06 “Lady Franklin” and 2008/17 “Naterraq”.

Cairn is operator of the licences 2002/15 “Atammik” and 2005/06 “Lady Franklin” where NUNAOIL is the sole partner. In 2012, the activities in the two licences were tied to evaluation and integration of the results from the two exploration wells in licence 2002/15 as well as the one exploration drilling in licence 2005/06 performed in 2011. Both licences are now in their third sub-period, and the results from the drillings will be important for the future activities.

The Swedish-owned company PA Resources is the operator of 2008/17 “Naterraq”. NUNAOIL is the sole partner. The licence was awarded during the “Disko West” round in 2008. As this licence is geologically in the Nuuk West area, it is described here. The licence is in its first sub-period and expires in 2012. During 2012, the evaluation of the 2D seismic data acquired in 2010 continued and the results from this evaluation will be important for the further activities.

Fig. 3. Map of licenses in Nuuk West.
SOUTH-WEST GREENLAND – "CAPE FAREWELL"

Extensive waters of more than 350,000 km² off South-West Greenland are regulated by the authorities through an “open-door” policy. Interested parties can therefore apply for hydrocarbon licences in the waters without any prior licensing round. The open-door procedure includes Greenland waters outside the basis line located south of 63˚00’N and west of 42˚30’W.

By the end of 2012, there are four active licences in this province: 2008/13 "Saqqamiut", 2008/14 "Kingittoq", 2009/10 “Uummannarsuaq” and 2009/11 “Salliit”. Cairn is the operator of all licences and NUNAOIL is the sole partner. Petronas which previously had an ownership interest of 10% withdrew at the beginning of 2012 and transferred its interest to Cairn. Jointly the blocks cover an area of just over 42,000 km², and for all licences in the area, the first sub-period of the exploration phase runs until the end of 2012. The main activity in the Cape Farewell province has been the evaluation and processing of seismic data. During 2012, samples were also collected from the bottom of the sea for geochemical analysis which will be able to contribute to a better understanding of the hydrocarbon potential of the area.

By the end of 2012, the exploration licences 2009/10 “Uummannarsuaq” and 2008/14 "Kingittoq” were returned owing to the poor prospectivity of the licence areas.

In 2010, applications were made for two additional licences in the open-door area for a total area of approx. 14,100 km². At the end of the 2012, these applications were still being processed by the authorities.

Regional conditions – activities in areas not covered by licences

As part of building up the Company’s internal competence and enhancing an understanding of the entire hydrocarbon potential in Greenland, NUNAOIL also performs follow-up activities outside the areas directly covered by licences.

In recent years, the focus on the Greenland Sea licensing-round area, North-East Greenland has been increasing in connection with the planned licensing rounds in 2012 (the pre-round) and in 2013 (the ordinary round) see fig. 5.

In that regard, the authorities formally announced, in December 2011, the opening of the licensing round in the Greenland Sea from 1 January 2012 and presented information on the size of the blocks into which the North-East Greenland offshore area has been divided. The pre-round ended on 15 December 2012 when 11 application were received from 3 groups. Acreage not awarded during the pre-round, and the blocks that have been kept out of the pre-round will be put up for tender in the first ordinary round taking place in 2013.
Marketing
As an important part of its mission statement and vision, NUNAOIL wants to increase the geological and technical understanding of the Greenland's exploration potential. Under the EAGE (the European Association of Geoscientists & Engineers) exhibition held in Copenhagen in June 2012, NUNAOIL presented part of its regional geological work focusing on the West Greenland provinces. The work was well received and was suggested for publication in the international journal “First Break”, and a technical article was published in December 2012.

Fig. 5. Map of the Greenland Sea Licensing Round.
Expectations for 2013

NUNAOIL is not expected to generate a profit until oil or gas discoveries in Greenland have been put into commercial production. Income from such hydrocarbon production may very well be at least 10 to 15 years away, depending on, among other things, the commercial terms. NUNAOIL's status as a carried partner in the exploration process means, however, that the Company's financial exposure in the coming years will be limited.

In 2013, NUNAOIL's budget shows a deficit of DKK 10.1 million. In the coming years, NUNAOIL expects annual deficits of DKK 8 - 9 million, depending on specific projects and investments. The Company's seismic database is of major importance to the Company's future development, but owing to adherence to a prudence concept, such data are not included as an asset in the financial statements. The reason for such prudence is that it is unpredictable whether such data can actually be sold. By the same token, the Company’s sale of seismic data over the next year is not included in the budget. Any sale will have a positive effect on the Company’s bottom line.

Activities and projects in 2013

It is expected that for 2013, much focus will be on preparations for further activities in the Baffin Bay area with the interpretation of new seismic data and the evaluation of stratigraphic drillings. Moreover, the licensing rounds in North-East Greenland will result in increased focus on and processing of existing data within this area.

Regional considerations and prospectivity

Coinciding with NUNAOIL’s attempt at handling and representing the technical and commercial interests in Greenland within the active hydrocarbon licences, NUNAOIL also sees an important task in attempting to maintain an ongoing interest in Greenland’s hydrocarbon potential.

NUNAOIL will do this by independently conducting regional studies and implementing considerations with the main focus on critical parameters for further exploration. By sharing such knowledge with the authorities and with the relevant commercial players, sensible and long-term activities can be maintained.

Health, Safety and Environment

NUNAOIL is highly conscious of the vulnerable environment and the harsh climatic conditions prevailing in the locations in Greenland where the hydrocarbon activities take place. Against this background NUNAOIL, together with the authorities in Greenland, the international players and other partners, seeks to work for a continuous focus on health, environment and safety.

The employees’ safety and working climate play an important role for the Management of NUNAOIL. Workplace assessments, for example, are undertaken on a regular basis, and all employees do first aid courses.

The efforts relating to compliance are still at the initial stage in the Company, but constitute a high-priority issue for the Management. The aim is for the process to result in a code of conduct for the employees of the Company.
NUNAOIL’s social responsibility, including CSR

Since the establishment in 1985, NUNAOIL has continuously disseminate information on the hydrocarbon activities in Greenland. Since then, such dissemination of information has taken place both independently and in close cooperation with authorities and cooperation partners.

The basic idea is that, in this way, the Greenland society is sure to get the best possible handling of Greenland’s natural resources with the greatest possible financial return while at the same time focusing on environmental awareness and the integration of environmental concerns in connection with the exploration activities. The purpose is to undertake the activities with the least possible impact on the vulnerable Arctic nature and environment.

The contact to the general population takes place mainly in the areas that are currently affected by ongoing or future exploration activities, in 2012 primarily the Baffin Bay area from Upernavik to Qaanaaq. Therefore NUNAOIL has participated in public meetings in a number of towns and villages; moreover, meetings have been held with a number of local representatives. Through many years of experience, NUNAOIL has been able to establish that the direct involvement and the direct contact with the local population is helpful when it comes to communication, understanding and mutual respect.
The increased activities relating to hydrocarbons affect both the local population and the local environment. It is therefore essential that good relationships and good communication are continued between NUNAOIL and local stakeholders. This element is crucial to the self-understanding in NUNAOIL, and at the same time it enhances our efforts to raise the profile of the oil industry as socially responsible.

The ongoing and future oil exploration activity in Greenland requires extensive competencies within natural science. With a view to motivating young people to study natural science, NUNAOIL granted financial support to 8 Greenlandic high-school students in connection with the project Science Talent Greenland. The project is a bridge-building programme for the most talented natural science students from the high schools in Greenland with a view to providing the students with unique opportunity to achieve natural science qualifications with the focus on scientific phenomena and problems that are particularly interesting in Greenland. The project was implemented together with 8 Danish high-school pupils in the form of workshops in Sorø and at the Arctic Station in Qeqertarsuaq.

Moreover, in cooperation with IFF ENERGY in London, NUNAOIL has conducted a three-day course on Oil and Gas Business Administration. The purpose of the course which was conducted in NUUK with a total of 16 participants from the Self-Government ministries, the Greenland Oil Industry Association (GOIA), Pinngortitaleriffik (the Greenland Institute of Natural Resources), the technology college in Sisimiut and NUNAOIL was to create a better understanding of the many different aspects and of the value chain in the energy sector.
The Board of Directors and Board of Management of NUNAOIL continuously relate to the recommendations on corporate governance on the basis of the recommendations outlined by Naalakkersuisut in the “Report on ownership and development in the limited companies fully or partly owned by the Self-Government authorities” from August 2011 and the “Guidelines on corporate governance in the limited companies owned by the Self-Government authorities” from December 2012.

During 2013, NUNAOIL intends to perform a CSR gap analysis and to hold a workshop on CSR for the Board of Directors and executive officers. NUNAOIL already now attempts to be conscious of its social responsibility although no actual policies within this field have yet been implemented in the Company.

**IFRS**

NUNAOIL is preparing for changing the financial statements to comply with the international financial reporting standards, IFRS. This change will create better opportunities for the international markets to assess the Company with a view to the future capital requirements. The change is ongoing and is expected to be completed in 2013-14.

**Risk management**

Throughout recent years, NUNAOIL has identified the most significant exposures, primarily relating to the activities in the exploration phase, but has also given initial considerations to discoveries, expansion and production.

NUNAOIL is currently in phase 1 where NUNAOIL is a carried partner. In this phase, the exposures and risks are modest and limited to the actual operation of the Company. The financial risk factors and the handling thereof will not require specific action until discoveries are made and especially expansion occurs. For the same reason, the above identification of risks has already been initiated and will continuously be updated.

**Risks relating to regulatory circumstances and statutory conditions**

Amendments to existing legislation and administrative practices on the part of the authorities in relation to minerals and petroleum may have an impact on NUNAOIL’s operations. Examples of this might be the award, extension, expansion and transfer of licences as well as changes in taxation, employment conditions, environmental protection, safety conditions etc. In this way, NUNAOIL’s activities depend on the regulatory circumstances and on statutory conditions in Greenland.

In connection with the conclusion and performance of partnership agreements with cooperation partners, it has often been assumed that rights to licences etc. can be transferred between partners internally. The partnership agreements typically also regulate a number of other issues between the partners that are regulated in statutes and licensing conditions. The performance of contractual obligations will in certain cases require approval by the authorities. There is no guarantee that such approval by the authorities can be obtained on satisfactory terms.

**Risk involved in the Company’s dependence on key employees and its ability to attract and retain new employees**

The development of the oil exploration activities in Greenland significantly depends on the continued contributions by the Company’s Management and other key employees, inclusive of the Company’s geologists who possess general expertise within hydrocarbon exploration in Greenland and specific expertise within NUNAOIL’s circumstances. Such employees possess knowledge
which the Company will lose when the employees are no longer employed by the Company unless continuity is constantly ensured and the know-how built up is well-documented.

**Risks relating to the Company’s future funding requirements**
NUNAOIL will need additional funding in the future. There is no guarantee that NUNAOIL will be in a position to attract the necessary equity or loan capital. The following risks may be involved:
NUNAOIL will lose existing licences.
NUNAOIL will not be able to develop existing or new projects at the speed desired.
NUNAOIL’s ownership interest in projects with partners will be diluted or cease to exist.

**Risk involved in dependency on cooperation partners**
There is a risk that, as a result of the lack of or reduced funding possibilities, NUNAOIL will not be able to contribute sufficient funding in respect of the agreed ownership interests in established or future partnerships. NUNAOIL’s ownership interests in such projects will consequently become diluted and possibly cease to exist, and NUNAOIL also risks losing influence and other rights in such cooperation set-ups.

**Currency risk**
There is no currency risk as such risk has been hedged through the balancing of receivables and debts in the same currency.

**Remuneration for the Management etc.**

Composition, organisation and competencies of the Board of Directors.

**Kaare Hagemann, Chairman**
Former deputy minister, Greenland Home Rule (now Self-Government).

**Frank D. Pedersen, Vice-chairman**
Former CEO of Norsk Hydro.
Chairman of the Board of Directors of Pedco.
Vice-chairman of the Board of Directors of PetroNor - a Dubai-based oil service company.

**Lida Skifte Lennert**
Head of representation at the Greenland Representation in Brussels.

**Tine Pars**
Headmistress of Ilisimatusarfik.
Member of the Board of Directors of Grønlandsbankens Erhvervsfond.
Greenland’s observer on the Board of Directors of Nordforsk.
Member of the Board of Directors of Grønlands Miljøfond.
Member of the Board of Directors of Dudo og Poul Brandt Fond.

**Peter Helmer Steen** (representative appointed by the Danish Government)
Director of Nordsoenheden.
Member of the Board of Directors of Energimuseet.

The members of the Board of Directors receive a fixed annual fee of currently DKK 50,000. The Chairman receives a double fee. The fee is in compliance with the owner’s recommendations for companies of the same category as NUNAOIL A/S. Moreover, the members of the Board of Directors are covered by a health insurance policy taken out by the Company.
No employee representatives have been appointed to the Company's Board of Directors.

The Board of Directors of NUNAOIL holds four ordinary Board meetings annually.

The Board of Directors performs an annual “self-evaluation” and notifies the owner, the Greenland Self-Government authorities, of the outcome and its recommendations. A consultant assists in the facilitation.

This information is also available from the Company’s website: http://www.nunaoil.gl/

**Competencies, remuneration, amounts, bonus schemes, severance pay etc. of the Board of Management**

The managing director is the 58-year-old geologist Hans Kristian Olsen, who took up his position in 2005. He receives a fixed annual salary of DKK 1,522,500, inclusive of pension contributions. Expenses for telecommunication are covered by NUNAOIL in compliance with the relevant general rules.

The employment can be terminated by the Company at a notice of 12 months and by the managing director at a notice of 6 months. At present, no bonus schemes and no mandatory retiring age have been agreed.

### Income Statement

1 January – 31 December 2012

**Accounting Policies**

Pursuant to the Danish administrative order for Greenland on the application of the rules governing state-owned limited liability companies (exemption provisions), the annual report of NUNAOIL A/S has been presented in compliance with the provisions of the Financial Statements Act on class B enterprises. In addition to this, the Company has decided to follow a few rules applicable to class C enterprises.

The accounting policies applied are unchanged compared to last year.

**General comments on recognition and measurement**

Income is recognised in the income statement as it is earned. Value adjustments of financial assets and liabilities are also recognised in the income statement. All costs are also recognised in the income statement, inclusive of depreciation, amortisation and provisions as well as reversals resulting from altered accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is likely that future financial advantages will flow to the Company and the value of such assets can be reliably measured.

Liabilities are recognised in the balance sheet when it is likely that future financial advantages will flow from the Company and the value of such liabilities can be reliably measured.

When first recognised, assets and liabilities are measured at cost. Any subsequent measuring of assets and liabilities will take place as described for each single item below.
In connection with recognition and measurement, predictable losses and risks which arise prior to presentation of the financial statements and which concern circumstances as at the balance sheet date are taken into account.

**Foreign currency translation**
Transactions in foreign currency are translated at the exchange rate on the date of transaction. Exchange rate differences arising between the exchange rate as at the transaction date and the exchange rate as at the date of payment are recognised as a financial item in the income statement.

Receivables, payables and other monetary items in foreign currency which have not been settled at the balance sheet date are translated at the exchange rate as at the balance sheet date. The difference between the exchange rate as at the balance sheet date and the exchange rate as at the time when the receivables or the payables occurred is recognised under financial income and expenses in the income statement.

**Income statement**

**Revenue**
Revenue is recognised in the income statement if the delivery and passing of risk to the purchaser has taken place by the end of the year and if the income can be stated reliably and if receipt of payment is expected.

**Other external costs**
Other external costs cover costs of the purchase of data relevant to exploration, projects, costs of premises, travel expenses, staff housing, marketing and administration etc.

The Company’s portfolio of seismic data is not measured at any value as the earnings potential in the event of a sale thereof cannot be predicted. The costs of procuring such data are therefore charged to the income statement on an ongoing basis.

**Staff costs**
Staff costs include salaries and wages to staff and the Board of Directors and payroll-related items as well as travelling and accommodation for the Board of Directors etc.
Financial items
Financial income and expenses include interest income and interest expenses, realised and unrealised capital and exchange gains and losses on transactions in foreign currency, amortisation of financial assets and liabilities. Financial income and expenses are recognised at the amounts relating to the financial year under review.

Tax on net profit or loss for the year
Tax for the year consisting of current corporation tax for the year and any change in deferred tax is recognised in the income statement at the share attributable to the net profit for the year and directly under equity at the share attributable to entries directly to equity.

Balance sheet

Tangible fixed assets
Buildings and other plant, fixtures and operating equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is based on cost less expected residual value at the end of the useful life of an asset. Cost includes the acquisition price and costs directly attributable to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a linear basis according to the following estimated useful lives of the assets:
- Buildings: 50 years
- Other plants, fixtures and operating equipment: 3-5 years

Assets costing less than DKK 10,000 per unit are recognised as costs in the income statement in the year of acquisition.

Profit or loss in connection with the sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the book value of the assets at the time of sale. Profit or loss is recognised under depreciation and amortisation in the income statement.

Receivables
Trade receivables are measured at amortised cost which usually equals nominal value. Receivables are written down to net realisable value in order to provide for expected losses.

Liabilities other than provisions
Financial liabilities other than provisions are recognised initially at the proceeds received less the transaction costs incurred. In subsequent periods, the financial liabilities are recognised at amortised cost, equal to the capitalised value when applying the effective interest rate, so that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities which include trade payables and other payables are measured at amortised cost which normally equals nominal value.

Deferred income Payments
Deferred income Payments received relating to income in subsequent years are recognised under deferred income.
Cash flow statement

The cash flow statement specifies the Company’s cash flows for the year broken down by operating activities, investing activities and financing activities for the year, changes in cash for the year as well as cash at the beginning and at the end of the year.

Cash flows from operating activities
Cash flows from operating activities are determined as net profit or loss for the year adjusted for non-cash operating items, changes in operating capital and corporation tax paid.

Cash flows from investing activities
Cash flows from investing activities include payment in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of tangible fixed assets.

Cash flows from financing activities
Cash flows from financing activities include changes in the size or structure of the Company’s share capital and costs related hereto. Moreover, the cash flows include the raising of loans, repayment on interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and in hand less short-term payables to banks as well as short-term securities which can readily be turned into cash and cash equivalents and which involve only insignificant risks of changes in value.

Financial ratios
The financial ratios have been calculated in accordance with “Anbefalinger & Nøgletal 2010” issued by Den Danske Finansanalytikerforening.

The key figures and financial ratios have been calculated as follows:

\[
\begin{align*}
\text{Gross margin ratio:} & \quad \frac{\text{Gross profit/loss}}{\text{Revenue}} \times 100 \\
\text{EBIT margin:} & \quad \frac{\text{Result of primary operations (EBIT)}}{\text{Revenue}} \times 100 \\
\text{Solvency ratio:} & \quad \frac{\text{Equity exclusive of minority interests at year-end}}{\text{Total liabilities at year-end}} \times 100 \\
\text{Profit or loss*:} & \quad \text{Net profit or loss for the year less minority interests’ share thereof} \\
\text{Return on equity:} & \quad \frac{\text{Profit or loss*}}{\text{Average equity exclusive of minority interests}} \times 100
\end{align*}
\]
### Income Statement for the Year 1st January – 31st December

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DKK 1,000</td>
<td>DKK 1,000</td>
</tr>
</tbody>
</table>

Revenue 3,128 16,848  
Other external costs -5,532 -5,908 
Gross profit or loss -2,404 10,940 

1. Staff costs -9,741 -9,538  
2. Depreciation -310 -567  
Profi or loss before financial items -12,455 835 

Other financial income 538 780  
Other financial expenses -60 -460  
Profit or loss before tax -11,977 1,155 

Net profit or loss for the year -11,977 1,155 

Proposal for distribution of net profit or loss:

Retained earning 0 1,155  
Distributed from retained earnings -11,977 0  
Total distribution -11,977 1,155

### Balance Sheet as at 31st December

#### Assets

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DKK 1,000</td>
<td>DKK 1,000</td>
</tr>
</tbody>
</table>

**Fixed assets**

3. Buildings 9,447 10,497  
3. Other plant, fixtures and operating equipment 445 568  
3. Property, plant and equipment in progress and prepayments for property, plant and equipment 0 1,155  
Total property, plant and equipment 9,892 12,220  
Total fixed assets 9,892 12,220  

**Current assets**

Trade receivables 8,294 8,108  
Other receivables 549 438  
Total receivables 8,843 8,546  
Cash and cash equivalents 46,796 50,381  
Total current assets 55,639 58,927  
Total assets 65,531 71,147
## Balance Sheet as at 31st December

### Liabilities

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities</strong></td>
<td>DKK 1,000</td>
<td>DKK 1,000</td>
</tr>
<tr>
<td><strong>Share capital</strong></td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td><strong>Retained earnings</strong></td>
<td>35,009</td>
<td>46,985</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>45,009</td>
<td>56,985</td>
</tr>
<tr>
<td><strong>Payables to credit institutions in general</strong></td>
<td>568</td>
<td>1,134</td>
</tr>
<tr>
<td><strong>Total long-term liabilities other than provisions</strong></td>
<td>568</td>
<td>1,134</td>
</tr>
<tr>
<td><strong>Payables to banks</strong></td>
<td>112</td>
<td>82</td>
</tr>
<tr>
<td><strong>Trade payables</strong></td>
<td>523</td>
<td>469</td>
</tr>
<tr>
<td><strong>Other payables</strong></td>
<td>1,707</td>
<td>1,676</td>
</tr>
<tr>
<td><strong>Deferred income</strong></td>
<td>17,612</td>
<td>10,801</td>
</tr>
<tr>
<td><strong>Total short-term liabilities other than provisions</strong></td>
<td>19,954</td>
<td>13,028</td>
</tr>
<tr>
<td><strong>Total liabilities other than provisions</strong></td>
<td>20,522</td>
<td>14,162</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>65,531</td>
<td>71,147</td>
</tr>
</tbody>
</table>

### Equity

- **Share capital**: 10,000
- **Retained earnings**: 35,009
- **Total equity**: 45,009

### Liabilities other than provisions

- **Payables to credit institutions in general**: 568
- **Total long-term liabilities other than provisions**: 568
- **Payables to banks**: 112
- **Trade payables**: 523
- **Other payables**: 1,707
- **Deferred income**: 17,612
- **Total short-term liabilities other than provisions**: 19,954
- **Total liabilities other than provisions**: 20,522
- **Total liabilities**: 65,531

### Charges and securities

- **Related parties**
Cash Flow Statement 1st January – 31st December

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>DKK 1,000</td>
<td>DKK 1,000</td>
</tr>
<tr>
<td>Profit or loss before financial items</td>
<td>-12,455</td>
<td>835</td>
</tr>
<tr>
<td>Depreciation</td>
<td>310</td>
<td>566</td>
</tr>
<tr>
<td>Change in receivables</td>
<td>-297</td>
<td>22,644</td>
</tr>
<tr>
<td>Change in trade payables and other payables</td>
<td>6,897</td>
<td>-10,191</td>
</tr>
<tr>
<td>Cash flows from operations before financial items</td>
<td>-5,545</td>
<td>13,854</td>
</tr>
<tr>
<td>Interest received etc.</td>
<td>538</td>
<td>780</td>
</tr>
<tr>
<td>Interest paid etc.</td>
<td>-60</td>
<td>-460</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td><strong>-5,067</strong></td>
<td><strong>14,174</strong></td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>-819</td>
<td>-1,698</td>
</tr>
<tr>
<td>Sale of property, plant and equipment</td>
<td>2,837</td>
<td>85</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td><strong>2,018</strong></td>
<td><strong>-1,613</strong></td>
</tr>
<tr>
<td>Instalment on long-term payables</td>
<td>-567</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td><strong>-567</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td><strong>Change in cash or cash equivalents</strong></td>
<td><strong>-3,616</strong></td>
<td><strong>12,561</strong></td>
</tr>
<tr>
<td>Cash and cash equivalents as at 1 January 2012</td>
<td>50,300</td>
<td>37,739</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents as at 31 December 2012</strong></td>
<td><strong>46,684</strong></td>
<td><strong>50,300</strong></td>
</tr>
</tbody>
</table>

Cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>t. kr.</td>
<td>t. kr.</td>
</tr>
</tbody>
</table>

1 Staff costs

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>8,265</td>
<td>7,855</td>
</tr>
<tr>
<td>Pensions</td>
<td>901</td>
<td>863</td>
</tr>
<tr>
<td>Other costs of social security</td>
<td>80</td>
<td>76</td>
</tr>
<tr>
<td>Other staff costs</td>
<td>495</td>
<td>744</td>
</tr>
<tr>
<td><strong>Total staff costs</strong></td>
<td><strong>9,741</strong></td>
<td><strong>9,538</strong></td>
</tr>
<tr>
<td>Board of Management</td>
<td>1,523</td>
<td>1,733</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>300</td>
<td>303</td>
</tr>
<tr>
<td><strong>Total staff costs</strong></td>
<td><strong>1,823</strong></td>
<td><strong>2,036</strong></td>
</tr>
</tbody>
</table>

Average number of employees | 8 | 8
2 Depreciation

Depreciation of buildings 261 241
Depreciation of property, plant and equipment 208 411
Gain/loss from the sale of property, plant and equipment -159 -85

3 Property, plant and equipment

<table>
<thead>
<tr>
<th></th>
<th>Buildings DKK 1,000</th>
<th>Other plant, fixtures and operating equipment DKK 1,000</th>
<th>Property, plant and equipment in progress and prepayments for property, plant and equipment DKK 1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost as 1 January 2012</td>
<td>12,106</td>
<td>3,243</td>
<td>1,155</td>
</tr>
<tr>
<td>Additions</td>
<td>733</td>
<td>86</td>
<td>0</td>
</tr>
<tr>
<td>Disposals</td>
<td>-2,947</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transfers</td>
<td>1,155</td>
<td>0</td>
<td>-1,155</td>
</tr>
<tr>
<td><strong>Cost as at 31 December 2012</strong></td>
<td><strong>11,047</strong></td>
<td><strong>3,329</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

Depreciation and impairment as at 1 January 2012 1,609 2,676 0
Depreciation and impairment for the year 261 208 0
Reversal of depreciation and impairment of assets sold -270 0 0
**Depreciation and impairment as at 31 December 2012** 1,600 2,884 0

Book value as at 31 December 2012 9,447 445 0

4 Share capital

Share capital as at 1 January 2012 10,000 10,000

The share capital consists of 10,000 shares of DKK 1,000 each or multiples thereof. The capital has not been divided into share classes. The following changes have occurred in the Company’s share capital over the latest 5 years:

In December 2007, the capital of the Company was increased by DKK 1,000,000 to DKK 17,000,000.

In May 2008, the capital of the Company was increased by DKK 2,000,000 to DKK 19,000,000.

In June 2009, the capital of the company was reduced by DKK 9,000,000 to DKK 10,000,000.
5. **Retained earnings**

Retained earnings as at 1 January 2012  
46,986  
Retained earnings or loss for the year  
-11,977  
35,009

6. **Payables to credit institutions in general**

Kommuneqarfik Sermersooq  
284  
Greenland Self-Government authorities  
284  
568

Share of debt falling due after 5 years  
568

7. **Deferred income**

Provision for exploration activities  
17,612  
17,612

According to the Kanumas agreement, revenue from the sale of data accrue to NUNAOIL, and after discussions with the Kanumas Group and subject to approval by the Bureau of Minerals and Petroleum, such revenue is to be used for hydrocarbon-related exploration activities in Greenland, and information acquired from exploration activities is to be made available to the Kanumas Group free of charge.

8. **Fee for auditor appointed at the annual general meeting**

Fee for statutory audit  
90  
Fee for other services  
272  
362

9. **Charges and securities**

In security of the debt to Kommuneqarfik Sermersooq and the Greenland Self-Government authorities, DKK 567,000, buildings B-3731 have been mortgaged, the book value of which is DKK 2,810,000 as per 31 December 2012.

10. **Related parties**

Transactions

Apart from ordinary remuneration to the management, no transaction with the Board of Directors, Board of Management, executive officers or shareholder has taken place during the year under review.

Ownership

The following shareholders are registered in the Company’s register of shareholders as holding at least 5 % of the votes or at least 5 % of the share capital: Greenland Self-Government authorities.
## Licence Overview

Licences with participation of NUNAOIL A/S as of 31 of December 2012.

<table>
<thead>
<tr>
<th>Licence</th>
<th>Granted</th>
<th>Companies / proportion of ownership</th>
<th>Area km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002/15 &quot;Atammik&quot;</td>
<td>2002</td>
<td>87.50% *Capricorn Greenland Exploration 1 Limited, 12.50% NUNAOIL A/S</td>
<td>3.985</td>
</tr>
<tr>
<td>2005/06 &quot;Lady Franklin&quot;</td>
<td>2005</td>
<td>87.50% *Capricorn Greenland Exploration 1 Limited, 12.50% NUNAOIL A/S</td>
<td>2.897</td>
</tr>
<tr>
<td>2007/22 &quot;Kangerluk&quot;</td>
<td>2007</td>
<td>87.50% *Husky Oil Operations Limited, 12.50% NUNAOIL A/S</td>
<td>10.138</td>
</tr>
<tr>
<td>2007/24 &quot;Ilkermiut&quot;</td>
<td>2007</td>
<td>87.50% *Husky Oil Operations Limited, 12.50% NUNAOIL A/S</td>
<td>10.929</td>
</tr>
<tr>
<td>2007/27 &quot;Orsivik&quot;</td>
<td>2007</td>
<td>43.750% *Esso Exploration Greenland Limited, 12.50% NUNAOIL A/S</td>
<td>13.213</td>
</tr>
<tr>
<td>2008/10 &quot;Sigguk&quot;</td>
<td>2007</td>
<td>87.50% *Capricorn Greenland Exploration 1 Limited, 12.50% NUNAOIL A/S</td>
<td>11.063</td>
</tr>
<tr>
<td>2008/11 &quot;Eqqua&quot;</td>
<td>2007</td>
<td>87.50% *Capricorn Greenland Exploration 1 Limited, 12.50% NUNAOIL A/S</td>
<td>11.961</td>
</tr>
<tr>
<td>2008/13 &quot;Saqqamiut&quot;</td>
<td>2008</td>
<td>92.00% *Capricorn Greenland Exploration 1 Limited, 8.00% NUNAOIL A/S</td>
<td>10.090</td>
</tr>
<tr>
<td>2008/14 &quot;Kingittoq&quot;</td>
<td>2008</td>
<td>92.00% *Capricorn Greenland Exploration 1 Limited, 8.00% NUNAOIL A/S</td>
<td>12.031</td>
</tr>
<tr>
<td>2008/17 &quot;Naternaq&quot;</td>
<td>2008</td>
<td>87.50% *PA Resources AB, 12.50% NUNAOIL A/S</td>
<td>11.071</td>
</tr>
<tr>
<td>2009/10 &quot;Salliiit&quot;</td>
<td>2009</td>
<td>92.00% *Capricorn Greenland Exploration 1 Limited, 8.00% NUNAOIL A/S</td>
<td>9.929</td>
</tr>
<tr>
<td>2009/11 &quot;Uummannarsuaq&quot;</td>
<td>2009</td>
<td>92.00% *Capricorn Greenland Exploration 1 Limited, 8.00% NUNAOIL A/S</td>
<td>10.143</td>
</tr>
<tr>
<td>2011/13 &quot;Pitu&quot;</td>
<td>2010</td>
<td>56.875% *Capricorn Greenland Exploration 1 Limited, 30.625% Statoil Greenland AS, 12.50% NUNAOIL A/S</td>
<td>8.170</td>
</tr>
<tr>
<td>2011/15 &quot;Tooq&quot;</td>
<td>2010</td>
<td>47.50% *Maersk Oil Kalaallit Nunaat A/S, 40.00% Tullow Oil, 12.50% NUNAOIL A/S</td>
<td>11.802</td>
</tr>
<tr>
<td>2011/16 &quot;Napariaq&quot;</td>
<td>2010</td>
<td>87.50% *Capricorn Greenland Exploration 1 Limited, 12.50% NUNAOIL A/S</td>
<td>10.226</td>
</tr>
<tr>
<td>2011/17 &quot;Ingoraq&quot;</td>
<td>2010</td>
<td>87.50% *Capricorn Greenland Exploration 1 Limited, 12.50% NUNAOIL A/S</td>
<td>10.569</td>
</tr>
</tbody>
</table>

Total km² 202.175
Licence Map

Licence Map of the entire Greenland as of 31 of December 2012.