north energy

Annual report 2015

North Energy at a glance

North Energy is a Norwegian oil and gas company focusing on the Norwegian Continental Shelf (NCS). Historically, North Energy has focused purely on exploring for oil and gas. However, the Company recently took a strategic decision to investigate possible expansion into other parts of the energy value chain.

North Energy's vision is to become a successful and respected energy company, with a focus on value creation for its shareholders. To achieve this, North Energy is focusing on core exploration areas and prospectivity with clear commercial potential. In parallel, North Energy will investigate strategic options, including mergers and acquisitions, and possible expansion into other parts of the energy value chain.

North Energy held 19 NCS licences at the end of 2015, a reduction from 25 at year-end 2014.

As of April 2016, the Company had 23 employees. North Energy's headquarters are located in Oslo. The Company is listed on the Oslo Stock Exchange with ticker "NORTH".

Key figures

MNOK	2015	2014
Exploration expenses	415	365
Earnings before tax	-525	-478
Tax	399	353
Net result	-126	-125
Equity	315	440
Equity %	49%	74%
Market capitalisation 31.12	123	356

CEO's Statement

Dear fellow shareholders,

Last year was a transformational year for North Energy. As a consequence of the sharp drop in oil prices, we saw a challenging period ahead of us. We therefore initiated significant cost cutting measures and adjusted our corporate strategy.

I am pleased to report that the measures have been carried out according to plan, and that North Energy now finds itself in a comfortable financial position in what many describe as the most challenging market for decades. We have reduced our cost base significantly, and going forward we will have very low operating expenses.

The sharp drop in oil prices is challenging the business model of exploration companies. Taking part in discoveries does not really make sense if you cannot capitalize on it. In the current environment, oil companies are struggling to divest even healthy projects.

With this backdrop, North Energy decided to adjust the exploration strategy and broaden our business scope. Our revised exploration strategy will ensure capital discipline and clear commercial thresholds – even in a scenario with continued low oil price. The broadening of our business scope enables us to take a more proactive approach to generating shareholder value in the energy sector.

Our strategic review continues, and we have repeatedly stated our intention to take on the role as consolidator with small and mid-cap oil and energy companies. Our recent acquisition of Explora Petroleum marked a first step in this direction. We will continue to investigate additional opportunities, as we believe there is still potential for value creation through market consolidation. We do not foresee any drilling activity in the short term, but we will continue to look for quality opportunities, both in the farm-in market and on a corporate level.

History shows that oil prices fluctuate. While the current market sentiment is rather subdued, we know that there will be a rebound. Our efforts throughout the past year were made in order to position ourselves for this rebound. With a lean organisation, low investment commitments and a comfortable net cash position, I believe we are in good position to capitalize on the expected rebound in the energy market.

I would like to thank all the Company's shareholders for their continued support, commitment and patience.

Knut Sæberg
CEO, North Energy ASA

Directors' report

Board of Directors' Report 2015

North Energy ASA ("North Energy" or "Company") was established in 2007 with the goal to explore commercial accumulations of oil and gas on the Norwegian Continental Shelf ("NCS").

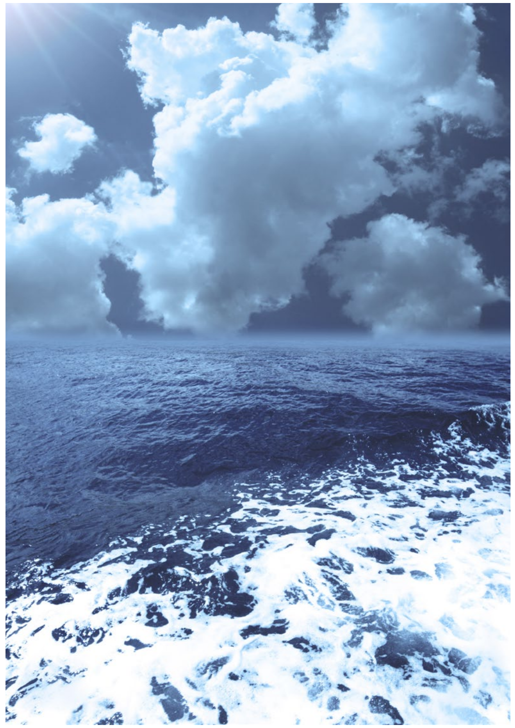
In the first quarter of 2016, North Energy broadened its business scope, following a resolution at an Extraordinary General Meeting ("EGM"). Today, the goal of North Energy is, directly or indirectly, to own, manage and finance activities within exploration, development and production of oil and gas resources and other forms of energy, and equivalent for other services and activities related to the oil and gas industry or energy. Following a restructuring in 2015, the Company's head office is now located in Oslo.

Introduction

2015 was another challenging year for North Energy. The Company's exploration wells failed to yield commercial discoveries. Oil prices continued to fall, and the whole industry went into a restructuring phase. The Company's share price fell by 66 per cent.

In light of the challenging market conditions facing the oil industry and on the basis that the

previous strategy has not been successful, the Board of Directors decided in December 2014 to initiate a strategic review to evaluate the various strategic alternatives available to North Energy. Throughout 2015, North Energy assessed various strategic alternatives. In December, the Company announced that it had acquired Explora Petroleum AS ("Explora") for a cash payment of USD 2.5 million. North Energy believes that the sharp fall in the price of oil has necessitated a much greater focus on cost optimisation and larger, more robust entities.



The acquisition of Explora represented the first step in this direction. North Energy will continue its strategic process with the aim of creating shareholder value based on the combined resources in both companies.

In parallel with this strategic process, North Energy initiated a significant cost-cutting programme early in 2015. Throughout the year, North Energy conducted extensive and responsible measures to adapt to the continued adverse market conditions. The Company's operations were relocated to Oslo and the number of employees was reduced by approximately 70 per cent.

With a leaner organisation, limited investment commitments and NOK 188 million in net cash (including net tax receivables and net working capital), the Company is in a satisfactory financial position. This is important at a time when conventional funding sources are adversely affected by the current gloom within the oil and gas sector. Given the current market situation, North Energy will continue to safeguard its cash position and be very selective about future investments. As a consequence of this, it is not likely that North Energy will participate in drilling of exploration wells in 2016.

The developments in the oil market have affected the outlook for exploration activities, which has become more challenging in light of a lower oil price regime. As a response to this, the Board in January 2016 called for an EGM to vote on a proposed adjustment to the Company's Articles of Association, to enable the Company to conduct other business than pure exploration. The proposal was approved at the EGM. The updated Articles of Association state that North Energy shall, directly or indirectly, own, manage and finance activities within exploration, development and production of oil and gas resources and other forms of energy, and equivalent for other services and activities related to the oil and gas industry or energy.

Important events

Drilling activity

North Energy took part in three exploration wells in 2015, none of which resulted in the discovery of commercial accumulations of hydrocarbons. Two of the wells were classified as dry, while the Tvillingen South well in PL 510 in the Norwegian Sea encountered a non-commercial accumulation of gas/condensate.

The exploration well targeting the Tvillingen South prospect encountered a 25-metre gas column in the Garn formation. The total reservoir thickness in this formation showed 100 metres of good-quality sandstone. Post-well analysis was completed toward the end of the year, and the operator concluded that the discovery contained non-commercial gas and condensate.

Drilling of Tvillingen South commenced in January. However, due to technical issues with a liner setting covering the intermediate part of the well, the licence partners decided to plug and abandon the well in February. Following careful assessment by the operator Maersk Oil Norway AS, drilling commenced again in August, and was completed without any technical or HSE issues in October. North Energy participated in PL 510 with a 20 per cent working interest.

The Zumba prospect, located in PL 591 in the Norwegian Sea southeast of the Heidrun field, proved to be dry. The primary objective of the well was to detect hydrocarbons in the Upper Jurassic sandstones. The well exhibited a lack of reservoir development and no hydrocarbons were encountered. Drilling of the Zumba prospect commenced in May and was completed in June. The operator of PL 591 is Tullow Oil Norge AS, and North Energy participated with a 15 per cent working interest.

Furthermore, The Haribo prospect, located in PL 616 west of the Hod field in the North Sea, also proved to be dry. The anticipated reservoir zone was not encountered. The drilling of the Haribo well commenced in June and completed in July. The operator of PL 616 is Edison Norge, and North Energy participated with a 15 per cent working interest.

Adjustments to the organisation

Throughout 2015, North Energy reduced its operating costs by approximately 24 per cent compared to 2014 (excluding restructuring costs), in response to continued adverse market conditions. The measures included downsizing from 43 to 12 full-time employees and a reduction in pension liabilities. The Company has also concentrated all corporate activities to the Oslo offices, closing the offices in Tromsø and Alta by year-end 2015. Annual cost rate will be significantly lower in 2016 due to full-year effect of cost reductions.

The acquisition of Explora

North Energy announced the acquisition of Explora in December 2015. Norwegian authorities subsequently approved the acquisition, and the transaction was completed and accounted for in February 2016.

Explora held 16 licences on the NCS at the date of transaction, including small interests in the Skarfjell and Grosbeak discoveries, both in PL 378 in the northeastern North Sea, located about 20 kilometres southwest of the Gjøa field. Skarfjell is currently estimated to contain 139 million barrels of recoverable oil equivalent ("mmboe", source: Norwegian Petroleum Directorate ("NPD")) while Grosbeak is currently estimated to contain 35 mmboe (NPD). The operator Wintershall is currently assessing various development options for Skarfjell.

North Energy will consolidate its petroleum operations in a single company by transferring today's petroleum operations from North Energy to Explora, thereby bringing employees together in a new organisation. Explora will be renamed North E&P AS. North Energy ASA will become a holding company, with all petroleum activities in the merged company being held in North E&P AS. The Board of Directors of North E&P AS will consist of the CEO of North Energy, Knut Sæberg (Chairman), financial advisor Didrik Leikvang and John Pickard, CEO of Explora.

North Energy is already in the process of significantly reducing the cost base of Explora. The restructuring process will only have a limited effect on the net cash position in the company. The acquisition of Explora will hence strengthen North Energy's financial position and increase its net cash position and tax balances.

The ongoing reorganisation is expected to be completed by the end of the first half of 2016.

General licence activity

Licence activity was high in 2015 due to many drill or drop decisions and the sale of several of the Company's non-core licences. As a response to the continued adverse market conditions, North Energy decided to revise its exploration strategy. The Company will be very selective about future commitments, including applications in licensing rounds. Future prospects must meet stringent requirements for rapid commercialization.

The Company will only focus on clear commercial potential – even in a low oil price regime. Based on its revised exploration strategy, North Energy did not take part in the 23rd Licensing Round. The Company submitted a limited application in the APA 2015 Licensing Round, but was not awarded any licences when the results were announced in January 2016.

The following sales of licence interests were completed in 2015 and year to date 2016:

- PL 507 – Sale of 10 per cent interest to Tullow Oil Norge AS (5 per cent) and Explora Petroleum AS (5 per cent)
- PL 707 – Sale of 10 per cent interest to Lime Petroleum Norway AS
- PL 708 – Sale of 10 per cent interest to Pure E&P Norway AS
- PL 722 – Sale of 10 per cent interest to Det Norske Oljeselskap ASA

North Energy held 19 NCS licences at the end of 2015, a reduction from 25 at year-end 2014. However, due to the continued adverse market conditions, many of North Energy's licences are in the process of being relinquished. As of 30 March 2016, the Company held 15 licences. The combined Explora and North Energy portfolio includes a total of 29 licences.

Going concern

Pursuant to section 3-3a of the Norwegian Accounting Act, confirmation is hereby given that the going concern assumption is realistic. That assumption rests on the Company's financial position, as well as forecasts for 2016 and the Company's long-term strategic predictions for the years to come.

Comments on the annual financial statements

The financial statements of North Energy ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements pursuant to the Norwegian Accounting Act. The financial statements to which the comments below relate are for the North Energy Group, comprising North Energy ASA and 4Sea Energy AS. The Board is not aware of any significant considerations that affect the assessment of the Group's position as of 31 December 2015, or the net result for the year, other than those presented in the Directors' report and the financial statements.

Total revenue for 2015 was NOK 5.4 million, compared with NOK 3.5 million for 2014. The revenue for the year stems from gain from sales of licences. Total exploration expenses in 2015 were NOK 415.2 million, compared with NOK 365.1 million in 2014. The Company took part in three exploration wells in 2015, all of which were expensed in the profit and loss statement for a total of NOK 353.6 million. Payroll and related expenses in 2015 were NOK 40.3 million, a reduction from NOK 52.9 million in 2014. The reduction reflects the extensive cost-cutting measures initiated in 2015. Payroll expenses will drop further in 2016.

EBITDA for 2015 was negative at NOK 494.6 million versus a negative NOK 450.8 million for 2014. The increased loss is a result of higher exploration expenses in 2015 compared with 2014. This is driven by increased drilling activities this year, as the Company took part in three exploration wells compared with two in 2014. Net financial items were negative at NOK 24.5 million versus a negative of NOK 20.3 million for 2014. The increased financial loss is due to a loss in difference in exchange of NOK 5.5 million this year, compared with NOK 0.3 million in 2014.

The Group received a tax return refund of NOK 373.6 million in 2015. Income tax in 2015 was NOK 399.1 million, compared with NOK 353.2 million in 2014.

The net loss for 2015 amounted to NOK 126.1 million compared with a loss in 2014 of NOK 124.5 million. The net loss amounts to both basic and diluted earnings of minus NOK 1.06 per share (NOK 1.19 per share in 2014).

North Energy's total balance sheet as of 31 December 2015 was NOK 647.2 million, compared with NOK 597.3 million at year-end 2014. The increase in total assets are due to an increase in deferred tax of NOK 18 million, increased prepayments related to licences of NOK 17.3 million, increased tax refund receivable of NOK 9 million and increased cash of NOK 9.1 million. This is partly offset by a reduction in capitalised exploration cost of NOK 11.5 million and reduced PP&E of NOK 6.1 million. All capitalised exploration costs have been written off in 2015, due to either dry wells or non-commercial discoveries in the exploration wells.

Equity as of 31 December 2015 was NOK 314.9 million compared with NOK 440.1 million at year-end 2014, giving an equity ratio of 48.7 per cent, down from 73.7 per cent at year-end 2014.

The cash position at year-end 2015 was NOK 34.8 million, up from NOK 25.7 million at year-end 2014. Adjusted for tax receivables of NOK 382.6 million, net working capital of NOK 24.2 million and the exploration loan of NOK 253.3 million, the Company reported a net cash position of NOK 188.3 million compared with NOK 325 million at year-end 2014.

Net cash flow from operating activities totalled NOK 15.1 million, compared with a negative NOK 2.4 million for 2014. The main reason for the deviation from the operating result is the tax receivables, described in more detail below. Net cash flow from investing activities in 2015 was negative at NOK 193.3 million, compared with minus NOK 66.9 million in 2014. North Energy did not raise equity in 2015.

Total drawdown on the NCS Exploration Credit Facility in 2015 was NOK 256.9 million. This amount will be repaid when the Company receives its exploration tax refund in December 2016. The tax refund, related to 2014 exploration expenses, was solely used to pay off on the exploration Credit Facility.

The Board regards the Company's financial position as satisfactory.

Future developments

Throughout 2015, North Energy conducted several key measures in order to position the Company for the future. Given the current market situation, North Energy will safeguard its cash position and be very selective about future commitments. The broadening of the Company's business scope, approved at the EGM in January 2016, enables North Energy to take a more proactive view on how to generate shareholder values. The strategic process continues, and North Energy has actively announced its intention to take on a role as a potential consolidator amongst small and mid-cap oil and energy companies.

A revised exploration strategy shall ensure capital discipline and clear commercial thresholds. The Company aims to selectively take part in future licensing rounds and will continue to monitor the farm-in market for potential candidates.

Forward-looking statements reflect current views about future events, and are, by nature, subject to significant risks and uncertainties, as they relate to events and depend on circumstances that will occur in the future.

At the Annual General Meeting ("AGM") on 22 June 2015, the Board was mandated to increase the share capital by up to 10 per cent. This mandate is unused, and expires with the 2016 AGM.

Corporate governance

Corporate governance in North Energy is based on the Norwegian code of practice for corporate governance. A separate status report related to the code has been included in this Annual Report. Any non-compliance with the code is specified and explained in the status report.

North Energy's corporate governance builds on the Norwegian oil industry's standards for internal control. The group was qualified as a licensee on the NCS in 2008, and prequalified as an operator in 2009. Systems for internal control have been subsequently maintained and developed further. The Company secured a stock exchange listing in February 2010, and the group built up systems and routines prior to that event to handle the demands made on listed companies in terms of accurate financial reporting within specified deadlines.

The Board intends to take account of all relevant factors in the Company's overall risk picture in order to ensure that the collective operational and financial exposure is at a satisfactory level.

North Energy's Articles of Association contain no provisions which wholly or partly exceed or restrict the provisions in chapter 5 of the Norwegian Public Companies Act.

A number of considerations, which collectively ensure a good and broad composition, have been taken into account when electing the Board. These include an appropriate gender distribution, good strategic, petroleum technology and accounting expertise, a good division between owner-based and independent candidates, and relevant representation of Company employees. The Board functions collectively as an Audit Committee.

A Compensation Committee drawn from the Board has also been established, to ensure that remuneration of employees is comparable to market levels.

Instructions have been developed and adopted for the CEO, the Board and the Company's Nomination Committee. The instructions for the Board specify its principal duties and the responsibilities of the CEO towards the Board, as well as guidelines for handling matters between the Board and the executive management. The instructions for the Nomination Committee specify its mandate and provide guidelines on its composition and mode of working.

The Company's Articles of Association provide no guidance on the composition of the Board, other than that it must be comprised of three to nine Directors.

The articles do not authorise the Board to purchase the Company's own shares or to issue shares.

Risk assessment

Overall objectives and strategy

North Energy's financial risk management is intended to ensure that risks of significance for the Company's goals are identified, analysed and managed in a systematic and cost-efficient manner. The Company is exposed to financial risk in various areas, as described below.

The foreign exchange risk is limited since borrowings to date have not been made in foreign currencies. Monitoring of risk exposure and assessment of the need to deploy financial instruments are pursued continuously.

Operational risk

North Energy is an enterprise where operational risk is closely related to its expertise. The Company accordingly devotes attention to developing its expertise and organisation, and to its management systems. While maintaining focus on HSE, the management regards the related risks to be low as the company is currently not an operator in any licences.

Liquidity risk

The sharp fall in the price of oil has adversely affected the transaction market for sales of licence interests and discoveries. This creates a risk for North Energy that possible future commercial discoveries it is involved in will be less attractive in the market. This is one of the reasons that the Company adjusted its exploration strategy to focus future activities on areas with clear commercial potential – even in a continued low price regime.

The group's ongoing financing needs are continuously forecasted, and the level of activity is tailored to the available liquidity. Equity has traditionally been the Company's primary source of funding.

North Energy has otherwise raised loans in connection with bridge financing to cover exploration costs until these are refunded through the tax settlement, which occurs 12-24 months after the costs have been incurred.

Interest rate risk

The Company is exposed to interest rate changes for its bridge financing, which normally has an average term of 18 months, since this financing carries floating interest rates. The Company has not entered into hedge contracts to limit the interest risk. Interest rates on the convertible loan agreements with TGS Nopec and Rex Technology Management are fixed. Furthermore, fluctuations in interest rates may affect investment opportunities in future periods.

Credit risk

The risk of bad debts is considered low, since the great bulk of the Company's receivables in this phase relate to the Norwegian government and comprise the tax value of exploration costs.

Foreign exchange and market risk

North Energy is not involved in producing fields and therefore has no direct exposure to large oil price fluctuations. North Energy continuously evaluates currency hedges for costs in foreign currencies where the payment dates are known.

HSE and the natural environment

There were no reported incidents related to North Energy's operations in 2015. A core principle of North Energy is to prevent any incidents or accidents to employees or partners working with the Company, and to conduct business in a way that will not damage the environment. Steering documents ensure that the Company's employees are equipped to conduct their operations in a safe, environmentally responsible and ethically sound manner.

Research and development

The Company's commitment to research and development (R&D) is intended to support its business and help it reach its strategic and operational goals. North Energy collaborates with research teams at the University of Tromsø.

“North Energy’s vision is to become a successful and respected energy company, with a focus on value creation for its shareholders”

Human resources and equal opportunities

According to its plans for cost reduction, North Energy reduced its staff from 43 employees at the end of 2014 to 12 full-time employees as of 31 December 2015. The remaining staff consists mainly of technical personnel, in addition to essential management and administrative staff. The Company is now located in Oslo.

The Company aims to have a good gender balance and is an equal opportunity employer. At year-end 2015, the Company employed one female and 11 males.

In April 2015, the Board of Directors announced that CEO Erik Karlstrøm had been relieved of his duties with immediate effect. The basis for the decision was that Mr. Karlstrøm no longer had the trust of the Board. Erik Karlstrøm had been the CEO of North Energy since 2007. CFO Knut Sæberg took on the role as acting CEO. In July, North Energy received a notice of claim from Mr. Karlstrøm, in which he disputed the legality of the Board's decision to terminate his employment. A court case was held in March 2016, with a ruling expected in April 2016. North Energy believes the Company has a strong case, and hence, no provisions have been made in the financial accounts. However, no guarantees can be made with regards to the outcome of the court ruling.

In addition, one employee in North Energy has filed a suit against the Company as he considers himself unfairly dismissed in the restructuring process in 2015.

At the Company's General Meeting in June, a new Board of Directors was elected. Out of the three directors elected, one was female.

In September 2015, the Board of Directors announced a strategic decision to consolidate all its activities at the Company's office in Oslo with the aim to increase operational efficiency and enable even closer integration between the technical and financial arms of the Company. The process was completed according to plan at year-end 2015.

The sickness absence rate for 2015 was 4.1 per cent of total hours worked.

The Board considers it important that employees regard North Energy as a safe and motivating workplace. Frequent working environment surveys are conducted so that employees can contribute to improving conditions in the Company.

Remuneration is determined in accordance with the content of the work and the employee's qualifications. The remuneration of the executive management is described in the notes to the financial statements.

North Energy announced in December that it had acquired all shares in Explora Petroleum. The Company is currently in the process of merging the two organizations into North E&P AS, as described above.

Corporate social responsibility ("CSR")
The Board of North Energy emphasizes making a positive contribution to the portions of society affected by its operations, while simultaneously looking after the interests of its owners. The Company follows this up by integrating social and environmental considerations in its strategy and daily operations.

North Energy is committed to looking after the interests of all stakeholders including, owners, employees, business connections and the public.

The Company has established practices to ensure openness, anti-corruption, respect for human rights and standards for working life.

North Energy ensures that the Company's activities with respect to Corporate Social Responsibility ("CSR") are planned in a professional manner and integrated into the Company's business planning. The execution of the Company's CSR activities is measured, both internally as well as externally.

To emphasise its CSR commitments, North Energy has developed a policy statement, published on its website.

Reporting of payments to the government
Enterprises in the extractive industries with a statutory duty to prepare accounts are required to prepare and publish an annual report with information on their payments to government at country and project level. This report is available on the Company's website at www.northenergy.no.

Ownership
North Energy had 971 shareholders as of 31 December 2015. Long-term institutional shareholders support the Company. As of year-end 2015, the top 20 owners together held 70.5 per cent of the shares in the North Energy.

The share price on the last day of trading in 2015 was NOK 1.03, while on the last day of trading in 2014 the share price was NOK 2.99, representing a 66 per cent decline over the year. The share price peaked at NOK 3.40 on 5 January, while the lowest price in 2015 was NOK 0.97 on 22 December. At the time of writing, the share price is NOK 1.15, representing a market capitalisation of North Energy of approximately NOK 137 million.

Corporate governance
Corporate governance is the Board's most important instrument for ensuring that the Company's resources are managed in an optimal manner and contribute to long-term value creation for shareholders. In this connection, the Board would like to refer to the separate presentation of the Company's corporate governance in this Annual Report.

Net loss and coverage of net loss
The Board proposes that the net loss of NOK 126.1 million be transferred to uncovered losses.

Outlook
Throughout 2015, North Energy took extensive and responsible measures to adapt to the continued adverse market conditions. With a leaner organisation and limited investment commitments, the Company is in a satisfactory financial position.

The acquisition of Explora will strengthen North Energy's financial position and increase its net cash position and tax balances. Completion of the ongoing reorganisation following the Explora acquisition is expected shortly.

North Energy will continue its strategic review process with the goal of unlocking inherent values in the Company and demonstrating value creation for the Company's shareholders. This process includes investigating M&A options and possible expansion into other parts of the energy value chain.

“Given the current market situation, North Energy will safeguard its cash position and be very selective about future commitments”

Board of Directors

Oslo, 30 March 2016

Anders Onarheim, Chair

Jogeir Romestrand, Director

Elin Karfjell, Director

Johan Terje Bjerka, Director

Knut Sæberg, CEO

Corporate Governance

Pursuant to section 3, sub-section 3b of the Norwegian Accounting Act, North Energy is required to include a description of its principles for good corporate governance in the Directors' report of its Annual Report or, alternatively, refer to where this information can be found.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian code of practice for corporate governance (the code), which can be found at www.nues.no. Observance of the code is based on the "comply or explain" principle, which means that companies must explain either how they comply with each of the recommendations in the code or why they have chosen an alternative approach.

The Oslo Stock Exchange requires that listed companies provide an explanation of their corporate governance policy annually. Current requirements for companies listed on the Oslo Stock Exchange can be found at www.oslobors.no.

The following information is presented according to the same structure as the code and contains the same 15 main elements.

1. Implementation and reporting on corporate governance

It is the executive management's job to ensure that the areas of responsibility, individually and collectively, are prioritised according to the Company's values and business codes. The Company has established clear guidelines for ethics and corporate social responsibility. These can be found on the Company's website, www.northenergy.no.

2. The business

North Energy's business purpose is to directly or indirectly own, manage and provide financing for activities within exploration, development and production of oil and gas resources and other forms of energy, and equivalent for other services and activities related to the oil and gas industry or energy.

North Energy's vision is to become a successful and respected energy company that is committed to creating value. The Company will achieve this by focusing on core exploration areas and prospectivity with clear commercial potential, while at the same time investigating strategic options including M&As and possible expansion into other parts of the energy value chain.

North Energy's Articles of Association specify clear parameters for its operations, while its vision, goals and strategies are at the core of its management philosophy and operations. Further information on the Company's Articles of Association can be found at http://northenergy.no/en/about/articles-of-association.

3. Equity and dividends

Since its formation in 2007, North Energy has been solely an exploration company without revenues aside from those generated by the sale of licence interests. Its activities are primarily financed through equity.

The Board was mandated by the Annual General Meeting ("AGM") in 2015 to issue new shares up to a limit of 10 per cent of the existing number of shares. This mandate is valid until the next AGM, but has not been utilised.

Equity as of 31 December 2015 was NOK 314.9 million, compared with NOK 440.1 million at year-end 2014, giving an equity ratio of 48.7 per cent, down from 73.7 per cent at year-end 2014. Liquidity is regarded as satisfactory in relation to the Company's future obligations.

Cash, cash equivalents and provision for tax refunds, minus interest-bearing debt, totalled NOK 188 million at 31 December. North Energy also has an overdraft facility of NOK 950 million which covers tax-refundable exploration costs, of which NOK 253 million was drawn down at 31 December 2015. In December 2014, the overdraft facility was extended through the end of 2017.

4. Equal treatment of shareholders and transactions with close associates

Should North Energy be a party to any transaction that may involve a close associate of the Company or other companies that Directors, senior executives or their close associates have a significant interest in, whether directly or indirectly, the parties concerned must immediately notify the Board. All such transactions must be approved by the Chief Executive and the Board and, where required, a market notification must be sent. North Energy made no investment in its own shares during 2015.

5. Freely negotiable shares

The North Energy share is listed on the Oslo Axess Exchange. All shares are freely negotiable. The Articles of Association impose no restrictions on the negotiability of the share.

6. General Meetings

The Company's General Meetings in 2015 were held in accordance with the Public Companies Act. The General Meeting is North Energy's highest authority. The Board endeavours to ensure that the General Meeting is an effective forum for communication between the Board and the Company's shareholders. As a result, the Board makes provision for the highest possible participation by the Company's owners at the General Meeting. Notice of the meeting and supporting documentation for items on the agenda are made available on the Company's website no later than 21 days before the General Meeting. Provision is also made for shareholders to vote in advance of the Company's General Meeting, and elections are organized such that it is possible to vote individually for candidates nominated to serve in the Company's elected bodies. Shareholders who cannot attend the General Meeting in person are able to appoint a proxy to vote on their behalf. Proxy forms are provided that allow the proxy to be instructed how to vote on each agenda item.

The Board determines the agenda for the General Meeting. However, the most important items on the agenda are dictated by the Public Companies Act and the Company's Articles of Association. Meeting minutes are published on the Company's website the day after the General Meetings, at latest.

7. Nomination Committee

The Nomination Committee submits recommendations for shareholders to be elected, along with a justification, to the General Meeting, as well as nominates the Chair of the Board. Furthermore, the Committee will submit proposals for the remuneration of Directors and recommend Committee members. Establishment of the Committee is stipulated by the Articles of Association, and its work is regulated by instructions adopted by the General Meeting.

Nomination Committee members serve independently of the Board and the Company's executive management. Members of the Committee receive a fixed remuneration which is not dependent on results. The General

Meeting decides on all recommendations made by the Committee.

8. Corporate assembly and Board of Directors: composition and independence
North Energy has chosen not to have a corporate assembly.

North Energy initiated a significant cost-cutting programme in 2015, in response to adverse market conditions. To contribute to the cost-reduction programme, the Nomination Committee recommended to the 2015 AGM that the Board should be reduced to the three existing shareholder-elected Directors. The recommendation from the Nomination Committee was approved at the AGM. The Board consists of two men and one woman who serve as shareholder-elected Directors. All have broad experience. Two of these Directors are elected independently by the Company's shareholders. In addition, one Director is elected from and by the Company's employees. The Directors provide industry-specific professional expertise and experience from national and international companies. More information on each Director is available at www.northenergy.no.

Shareholder-elected Directors are elected for two-year terms. Elections are conducted in such a way that new directors can join the Board each year.

North Energy regards all its Directors as independent of the Company's executive management and significant business partners. At present, all three Directors own shares directly or indirectly in North Energy. No director holds options to buy further shares.

9. The work of the Board of Directors
The Board's work is regulated by instructions. Its duties consist primarily of managing North Energy, which includes determining the Company's strategy and overall goals, approving its action programme and ensuring an acceptable organisation of the business in line with the Company's Articles of Association. The Board can also determine guidelines for the business and issue orders in specific cases. The Board must look after North Energy's interests as a whole, and not act as individual shareholders.

A clear division of responsibility has been established between the Board and the executive management. The Chief Executive is responsible for operational management of the Company and reports regularly to the Board. The administration is responsible for preparing matters for board meetings. Ensuring that the work of the Board is conducted in an efficient and correct manner in accordance with relevant legislation is the responsibility of the Chair. The Board ensures that the auditor fulfils a satisfactory and independent control function. It presents the auditor's report to the General Meeting, which also approves the remuneration of the auditor. It was resolved in 2014 that the Audit Committee's duties would be discharged directly by the Board. A Compensation Committee was established by the Board in 2014. The Committee will ensure that compensation arrangements support the Company's strategy and enable it to recruit, motivate and retain managers of a high standard, while complying with requirements set by governing bodies, fulfilling shareholder expectations and being in line with the expectations of the rest of the workforce. The Board conducts an annual evaluation of its work, competence and performance.

A total of 15 board meetings were held in 2015.

10. Risk management and internal control
Strict standards are set for the Company's internal control and management system as a player in the oil and gas industry. Work on further development and improvement of North Energy's management system and associated documentation is a priority job in the Company's corporate governance and risk management. The Company's management system is a good tool for the executive management and the workforce, and reduces the risk of errors and misunderstandings. The system facilitates collaboration and learning, and ensures continuity in the execution of the company's processes.

North Energy has incorporated well-functioning systems and routines to identify, record and follow up nonconformities. These are all followed up systematically by the Company management, which sees to it that corrective measures are adopted. Undesirable incidents, unfortunate conditions and improvement suggestions are recorded and dealt with in the same improvement system.

The executive management follows up conditions which present the Company with a financial risk on a daily basis, and reports these to the Board. Reporting to the Board by the Company emphasizes both to the ongoing risk in daily operations and risk associated with the investment opportunities presented. In addition, the Board considers an overall risk assessment at least twice a year which takes into account all of the Company's activities and the exposure these involve. The Board is also presented at regular intervals with the auditor's assessments of financial risk.

11. Remuneration of the Board of Directors

The Nomination Committee recommends the Directors' fees to the General Meeting, and takes account of their responsibility, qualifications, time taken and the complexity of the business. Directors' fees are not profit-related. North Energy has not issued any options to its shareholder-elected Directors. None of the shareholder-elected Directors have undertaken special assignments for North Energy other than those presented in this report, and none have received compensation from the Company other than normal Directors' fees.

12. Remuneration of executive personnel

The Board determines the remuneration of the Chief Executive, taking into account the responsibility involved, qualifications, the complexity of the work and the results achieved. Furthermore, the Board determines the principles for remuneration of other senior executives in the Company, which are outlined in the Annual Report. All employees have the same performance-based bonus scheme. Further information is provided in the notes section of the annual financial statements.

13. Information and communications

North Energy keeps its shareholders and investors regularly informed about its commercial and financial status. The requirements for such information have increased due to the Company's stock exchange listing and an expanded number of shareholders. The Board is conscientious that all stakeholders shall receive the same information at the same time, and all financial and commercial information are made available on the Company's website simultaneously. Stock exchange announcements are distributed through www.newsweb.no and made available on the Company's website.

The annual financial statements for North Energy are made available on its website at least three weeks before the General Meeting. Interim reports are published within two months after the end of each quarter. Quarterly presentations are transmitted directly over the internet. North Energy publishes an annual financial calendar which is available on the Oslo Stock Exchange website. The Board emphasizes openness and equal treatment in relation to all relevant parties in the market, and strives at all times to provide as correct a picture as possible of the Company's financial position.

14. Takeovers

North Energy's Articles of Association contain no restrictions on or defense mechanisms against the acquisition of the Company's shares. In accordance with its general responsibility for the management of North Energy, the Board will act in the best interests of all the Company's shareholders in such an event. Unless special grounds exist, the Board will not seek to prevent takeover offers for the Company's business or shares. Should an offer be made for the shares of North Energy, the Board will issue a statement with its recommendation as to whether shareholders should accept it.

15. Auditor

The annual financial statements are audited by PricewaterhouseCoopers AS. The Board receives and considers the auditor's report after the financial statements for the relevant year have been audited. The auditor submits an

annual plan for the conduct of audit work, and attends board meetings when the consideration of accounting matters requires their presence. In at least one of these meetings, the auditor makes a presentation to the Board without the executive management being present. The auditor presents a declaration of independence and objectivity. Relations with the auditor are regularly reviewed by the Board to ensure that the auditor exercises an independent and satisfactory control function. The Board presents the auditor's fee to the General Meeting for approval by the shareholders.

Financial Statements & Notes

Financial Statements – North Energy Group

Consolidated income statement

NOK 1 000

	Note	2015	2014
Gain from sales of licences	22	5 367	3 493
Payroll and related expenses	5	(40 292)	(52 948)
Depreciation and amortisation	16	(6 050)	(6 611)
Exploration expenses	17	(415 240)	(365 132)
Other operating expenses	6	(44 388)	(36 199)
OPERATING LOSS		**(500 602)**	**(457 397)**
Financial income	18	17 585	12 089
Financial expenses	18	(42 113)	(32 414)
NET FINANCIAL ITEMS		(24 529)	(20 324)
LOSS BEFORE INCOME TAX		(525 131)	(477 722)
Income tax credit	15	399 079	353 212
LOSS FOR THE YEAR		**(126 052)**	**(124 509)**
Earnings per share (NOK per share)			
- Basic	13	(1,06)	(1,19)
- Diluted	13	(1,06)	(1,19)

Consolidated statement of comprehensive loss

NOK 1 000

	Note	2015	2014
LOSS FOR THE YEAR		**(126 052)**	**(124 509)**
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements pension, actuarial gain/(loss)	21	(403)	(725)
Items that will be reclassified to profit or loss in subsequent periods:			
Available for sale investments - change in fair value	26	1 296	0
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**893**	**(725)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(125 159)**	**(125 234)**

Consolidated balance sheet

NOK 1 000

ASSETS	Note	31.12.2015	31.12.2014
Non-current assets			
Property, plant and equipment	16	3 768	9 901
Capitalised exploration and licence costs	17	4	11 540
Available for sale investments	26	10 886	0
Deferred tax asset	15	149 803	131 748
Other receivables	7	7 634	4 388
TOTAL NON-CURRENT ASSETS		**172 095**	**157 578**
Current assets			
Prepayments and other receivables	8	57 631	40 379
Tax receivable, refund tax value exploration expenses	15	382 642	373 624
Cash and cash equivalents	9	34 829	25 740
TOTAL CURRENT ASSETS		**475 101**	**439 743**
TOTAL ASSETS		**647 196**	**597 320**

EQUITY AND LIABILITIES

Equity	Note	31.12.2015	31.12.2014
Share capital	10	119 047	119 047
Share premium		965 772	965 772
Other paid-in capital		30 691	30 691
Retained earnings		(800 594)	(675 435)
TOTAL EQUITY		**314 916**	**440 075**
Liabilities			
Non-current liabilities			
Pension liabilities	21	4 524	10 890
Convertible loans	23	41 041	31 120
TOTAL NON-CURRENT LIABILITIES		**45 565**	**42 009**
Current liabilities			
Current borrowings	11	253 295	55 000
Trade creditors		1 720	20 997
Other current liabilities	12	31 700	39 239
TOTAL CURRENT LIABILITIES		**286 715**	**115 236**
TOTAL LIABILITIES		**332 279**	**157 245**
TOTAL EQUITY AND LIABILITIES		**647 196**	**597 320**

Oslo, 30 March 2016

Anders Onarheim, Chair

Jogeir Romestrand, Director

Elin Karfjell, Director

Johan Terje Bjerka, Director

Knut Sæberg, CEO

Consolidated statement of changes in equity

NOK 1 000

	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2014	40 813	740 387	29 570	(550 201)	260 570
Transactions with owners:					
Share issues	78 234	235 299	0	0	313 532
Share issue expenses (net after tax)	0	(9 914)	0	0	(9 914)
Convertible loan - equity component (net after tax)	0	0	632	0	632
Share-based payment, bonus shares	0	0	489	0	489
Comprehensive income:					
Total compehensive income for 2014	0	0	0	(125 234)	(125 234)
EQUITY AT 31 DECEMBER 2014	**119 047**	**965 772**	**30 691**	**(675 435)**	**440 075**
Equity at 1 January 2015	**119 047**	**965 772**	**30 691**	**(675 435)**	**440 075**
Comprehensive income:					
Total compehensive income for 2015	0	0	0	(125 159)	(125 159)
EQUITY AT 31 DECEMBER 2015	**119 047**	**965 772**	**30 691**	**(800 594)**	**314 916**

Consolidated cash flow statement

NOK 1 000

Cash flow from operating activities	Note	2015	2014
Loss before income tax		(525 131)	(477 722)
Adjustments:			
Tax refunded	15	373 624	353 518
Deprecitiation	16	6 050	6 611
Gain from sales of licences	22	(5 367)	(3 493)
Impairment of capitalised exploration expenses	17	171 365	66 880
Pensions		(12 193)	5 402
Expensed share-based payment recognised in equity		0	621
Transaction costs and interest on borrowings recognised in P&L	18	21 037	23 931
Changes in fair value of conversion rights and loans at amortised cost	18	256	555
Debt-financed exploration expenses without impact on cash flows	23	0	75 000
Loss from sales of available for sale investments	26	508	0
Changes in trade creditors		(19 277)	12 896
Changes in other accruals		4 207	(66 631)
NET CASH FLOW FROM OPERATING ACTIVITIES		**15 079**	**(2 432)**

Cash flow from investing activities	Note	2015	2014
Purchase of property, plant and equipment	16	(277)	(7 347)
Proceeds from sales of property, plant and equipment		361	0
Proceeds from sales of licences	22	16 181	3 666
Capitalised exploration and licence costs	15,17	(200 170)	(64 484)
Purchase of available for sale investments	26	(10 434)	0
Proceeds from sales of available for sale investments		335	0
Proceeds from payments of other non-current receivables	7	750	1 296
NET CASH FLOW FROM INVESTING ACTIVITIES		**(193 254)**	**(66 869)**

Cash flow from financing activities			
Funds drawn current borrowings	11	580 000	500 000
Repayments of current borrowings	11	(378 102)	(615 000)
Funds drawn convertible loans	23	9 531	12 183
Repayments of convertible loans	23	0	(68 814)
Transaction costs and interest on borrowings paid	11,18	(24 165)	(19 772)
Proceeds from share issues		0	271 420
Net cash flow from financing activities		187 264	80 017
NET CHANGE IN CASH AND CASH EQUIVALENTS		9 089	10 716

Cash and cash equivivalents at 1 January	9	25 740	15 024
CASH AND CASH EQUIVIVALENTS AT 31 DECEMBER	9	**34 829**	**25 740**

"The broadening of the Company's business scope enables North Energy to take a more proactive view on how to generate shareholder values"

Notes – North Energy Group

NOTE 1
General information

The consolidated financial statements of North Energy were approved by the board of directors and CEO at 30 March 2016.

North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office in Oslo. The company's shares were listed on Oslo Axess on 5 February 2010.

The group's only business segment is exploration for oil and gas on the Norwegian continental shelf.

NOTE 2
Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are laid out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Basis for preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and in accordance with the additional requirements pursuant to the Norwegian Accounting Act.

The financial statements have been prepared on a historical cost basis.

2.2 Basis for consolidation
The consolidated financial statements comprise the financial statements of North Energy ASA and its subsidiary 4sea Energy AS. Subsidiaries are all entities over which the group has the power to govern the financial and operating policies (control), generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group, and they are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between the group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

NOTE 2

Summary of significant accounting policies (continued)

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The excess of the consideration transferred over the fair value of the identifiable net assets of the subsidiary acquired is recorded as goodwill. Each acquisition is considered individually to determine whether the acquisition should be deemed to be a business combination or an asset acquisition. When acquisitions are deemed to be asset acquisitions, no deferred tax on initial differences between carrying values and tax bases are recorded, nor is any goodwill recorded at the date of acquisition.

2.3 Foreign currency

Functional currency and presentation currency

The group's presentation currency is Norwegian kroner (NOK). This is also the parent company's and the subsidiary's functional currency.

Transactions in foreign currency

Foreign currency transactions are translated into NOK using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into NOK at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment charges. Depreciation is calculated on a straight line basis over the asset's expected useful life and adjusted for any impairment charges. Expected useful lives of long-lived assets are reviewed annually, and where they differ from previous estimates, depreciation periods are changed accordingly. Ordinary repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred. The costs of major renovations are included in the asset's carrying amount when it is probable that the company will derive future economic benefits. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Major assets with different expected useful lives are reported as separate components. Each component is depreciated on a straight line basis over its expected useful life.

Property, plant and equipment are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs required to sell the asset and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. The difference between the asset's carrying amount and its recoverable amount is recognised in the in income statement as impairment. Property, plant and equipment that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

NOTE 2

Summary of significant accounting policies (continued)

2.5 Capitalised exploration and licence costs

Exploration costs for oil and gas properties

The group uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licences and drilling costs of exploration wells are expensed as incurred. Costs related to drilling of exploration wells are temporarily capitalised pending the evaluation of the potential existence of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be commercially recoverable, the drilling costs of exploration wells are expensed. Costs of acquiring licences are capitalised as intangible assets.

Capitalised costs of acquiring licences and drilling exploration wells are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. The recoverable amount is the higher of the asset's fair value less costs required to sell the asset and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. The difference between the asset's carrying amount and its recoverable amount is recognised in the income statement as impairment.

Capitalised exploration and licence costs will be depreciated using the unit-of-production method as reserves are produced.

2.6 Farm in and farm out in the exploration phase

Agreements in connection with acquisition/sale of interests in licences in the exploration phase (farm in/farm out agreements), often involve a situation where the owner of a working interest (the farmor) transfers a portion of its working interest to another party (the farmee) in return for the farmee's performance of some agreed upon action. For example, the farmee may agree to cover/carry drilling expenses for the farmor limited to a fixed amount. In return, the farmor agrees to transfer a portion of the working interest in the property to the farmee. This well carry/carried interest is accounted for by the farmee as the costs occur and is classified in accordance with the policy for treatment of the exploration expenses (for North Energy, the successful efforts method). The farmor does not record any profit or loss but accounts for the well carry as an expense reduction when it occurs.

A farm in/farm out agreement is recognised when risks and rewards of ownership are transferred, which usually take place when necessary public approvals are given.

2.7 Interests in oil and gas licences

The group's interests in oil and gas licences are accounted for by recognising the group's share of the licences' individual expenses, assets, liabilities and cash flows. Each item is classified and presented in its respective line-items in the financial statements.

NOTE 2

Summary of significant accounting policies (continued)

2.8 Leases (as lessee)

Leases in which most of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.9 Receivables

Receivables are initially recognised at fair value. The receivables are subsequently carried at amortised cost using the effective interest method. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition and this loss event (or events) has an impact on the estimated future cash flows that can be reliably estimated. The amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash. The asset's carrying amount is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

2.11 Borrowings and convertible loans

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction/issue costs associated with the borrowing. After initial recognition, interests-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the consideration received net of transaction/issue costs associated with the borrowing and the redemption value, is recognised in the income statement over the term of the loan.

The conversion rights related to the convertible loans are classified as an financial obligation (derivative), and are measured at fair value with changes in fair value recognised in the income statement as financial items.

2.12 Taxes

Income taxes for the period comprises tax payable, refundable tax from the refund tax value of exploration expenses and changes in deferred tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statements and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated on the basis of the tax rates and tax legislation that are expected to exist when the assets are realised or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that the deferred tax asset can be utilised. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses related to its offshore activities to be paid in cash from the tax authorities when offshore activities subject to additional tax cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore recognised in full.

2.13 Defined benefit pension plans
The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet .

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in the income statement.

NOTE 2

Summary of significant accounting policies (continued)

2.14 Bonus shares

Fair value of bonus shares in connection with the bonus programme for employees is charged to expenses. The group recognises a corresponding increase in equity.

2.15 Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of past events, it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision owing to passage of time is recognised as a financial cost.

The group recognises a provision and an expense for severance payments when there exists an legal obligation to make severance payments.

The group recognises a provision and an expense for bonuses to employees, when the company is contractually obliged or where there is a past practice that has created a constructive obligation. The part of the bonus which is equity-settled (the bonus shares) is charged to expenses with a corresponding increase in equity.

2.16 Trade creditors

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Available for sale investments

Available for sale investments are measured at fair value. Changes in fair value, other than impairment losses, are recognised in equity through the statement of comprehensive income.

2.18 Contingent liabilities

Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

2.19 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shares using the weighted average number of ordinary shares outstanding during the year after deduction of the average number of treasury shares held over the period.

The calculation of diluted earnings per share is consistent with the calculation of the basic earnings per share, but gives at the same time effect to all dilutive potential ordinary shares that were outstanding during the period, by adjusting the profit/loss and the weighted average number of shares outstanding for the effects of all dilutive potential shares, i.e.:

- The profit/loss for the period attributable to ordinary shares is adjusted for changes in profit/loss that would result from the conversion of the dilutive potential ordinary shares.
- The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.20 Segment reporting
The group's only business segment is exploration for oil and gas on the Norwegian continental shelf. Based on this, no segment note is presented and this is in accordance with management's reporting.

2.21 Cost of equity transactions
Transaction costs directly linked to an equity transaction are recognised directly in equity, net after deducting tax.

2.22 Cash flow statement
The cash flow statement is prepared by using the indirect method.

2.23 Events after the balance sheet date
The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

2.24 Changes in accounting policies and disclosures
(a) New and amended standards and interpretations adopted by the group
None of the new standards, amendments or interpretations to existing standards effective for the accounting periods starting 1 January 2015 had any material impact on the group's financial statements.

(b) New and amended standards and interpretations issued but not adopted by the group
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. The most significant standards are set out below.

IFRS 9 Financial instruments:
IFRS 9 Financial Instruments will eventually replace IAS 39 Financial Instruments: Recognition and Measurement. In order to expedite the replacement of IAS 39, the IASB divided the project into phases: classification and measurement, hedge accounting and impairment. New principles for impairment were published in July 2014 and the standard is now completed. The parts of IAS 39 that have not been amended as part of this project has been transferred into IFRS 9. Effective date is 1 January 2018. The group is yet to assess IFRS 9's full impact.

NOTE 2

Summary of significant accounting policies (continued)

IFRS 15 Revenue from contracts with customers:
The IASB and the FASB have issued their joint revenue recognition standard, IFRS 15 Revenue from Contracts with Customers. The standard replaces existing IFRS and US GAAP revenue requirements. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g., disposals of property, plant and equipment). Effective date is 1 January 2018. The group is assessing the impact of IFRS 15.

IFRS 16 Leases:
IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Effective date is 1 January 2019. The group is assessing the impact of IFRS 16.

NOTE 3

Financial risk management

3.1 Financial risks
Exploration for oil and gas involves a high degree of risk, and the group is subject to the general risk factors pertaining to this business, such as (i) volatility of oil and gas prices, (ii) uncertainty pertaining to estimated oil and gas reserves, (iii) operational risk related to oil and gas exploration and (iv) volatility in exchange rates. Furthermore, only a few prospects that are explored are ultimately developed into production.

Furthermore, the group is exposed to certain types of financial risks. Management involves receivables, loans, accounts payable and drawing rights to financial institutions. The business activities of the group involve exposure to credit, interest rate, liquidity and currency risk.

(a) Credit risk
The group is mainly exposed to credit risk related to bank deposits and receivables from interests in licences. The exposure to credit risk is monitored on an ongoing basis. As all counterparties have a high credit rating, there are no expectations that any of the counterparties will not be able to fulfil their liabilities. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Interest rate risk
The group's exposure to interest rate risk is related to usage of the credit facility, with floating interest rate conditions. The group is therefore exposed to interest rate risk as part of its normal business activities and the aim is to keep this

risk is at an acceptable level. The group has a revolving credit facility which entitles the group to borrow up to NOK 950 million. The interest rate is NIBOR + 1.70%. The agreement includes an option to increase the facility up to NOK 1,150 million. See note 11 for further information. The loan is secured by a pledge in tax receivables from refund pursuant to the Norwegian Petroleum Tax Act and the interests in production licences which the company has at any time. The group has no other interest-bearing borrowings with floating interest rate conditions. The convertible loans have fixed interest rate conditions.

Sensitivity analysis:
Interest rate sensitivity is calculated on the basis of exposure to interest-bearing debt with floating interest rate conditions on the balance sheet date.

2015: If NIBOR had been 50 basis points higher/lower, the group's profit after tax would have been NOK 938 000 lower/higher.
2014: If NIBOR had been 50 basis points higher/lower, the group's profit after tax would have been NOK 201 000 lower/higher.

(c) Liquidity risk
The company's liquidity risk is the risk that it will not be able to meet its financial obligations as they fall due. Sufficient liquidity will be held in regular bank accounts at all times to cover expected payments relating to operational activities and investment activities for two weeks ahead. The exploration drawing facility is used when cash liquidity is needed. In addition, short-term (12 months) and long-term (five-year) forecasts are prepared on a regular basis to plan the group's liquidity requirements. These plans are updated regularly for various scenarios and form part of the day-today decision basis for the group's Board of Directors. Some reporting requirements are associated with the agreement with the bank syndicate that furnished the credit facility, including quarterly updates of a revolving liquidity budget for the next 12 months. The company's objective for the placement and management of excess capital is to maintain a very low risk profile and very good liquidity.

The conditions of the group's convertible loans are maturity in March 2017, during which repayments may be made but are not mandatory. The group's other financial liabilities, both for 2014 and 2015 are short-term. Funds drawn (credit facility), both for 2014 and 2015, fall due within 12 months (in December the following year), while other financial liabilities, both for 2014 and 2015, fall due within 0 - 6 months.

(d) Currency risk
The parent company and its subsidiary's functional currency is NOK. The group is exposed to currency risk related to its activities because the value of potential discoveries is correlated with the USD and parts of the group's expenses are USD-based. The group has not entered into any agreements to reduce its exposure to foreign currencies. A weak Norwegian krone will increase expenses, and vice versa with a strong Norwegian krone.

NOTE 3
Summary of significant accounting policies (continued)

3.2 Capital management
The group's aim for management of capital structure is to secure the business in order to yield profit to shareholders and contributions to other stakeholders. In addition, a capital structure at its optimum will reduce the costs of capital. To maintain or change the capital structure in the future, the group can pay dividends to its shareholders, issue new shares or sell assets/licences to reduce debt. The group may buy its own shares. The point of time for this is dependent on changes in market prices.

The group monitors it's capital structure using an equity ratio, which is total equity divided by total assets. As of 31 December 2015, the equity ratio was 48.7% (73.7% as of 31 December 2014).

The company will handle any increased future capital requirements through selling assets, raising new capital, taking up loans, entering into carry agreements, strategic alliances or any combination of these, and by adjusting the company's level of activity if required.

NOTE 4
Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions
The preparation of the financial statements in accordance with IFRS requires management to make judgements and use estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. The estimates and underlying assumptions are reviewed on an ongoing basis.

Estimates and assumptions which represent a considerable risk for material changes in carrying amounts of assets and liabilities during the next fiscal year are presented below.

a) Tax receivable from refund tax value exploration expenses
The Norwegian taxation authorities may have a different understanding than the company regarding the definition of indirect exploration expenses pursuant to the Norwegian Petroleum Tax Act. See note 15.

b) Deferred tax/tax assets
Most critical estimates influencing the carrying amount are related to valuations/judgement of utilisation of deferred tax assets. See note 15.

c) Capitalised exploration and licence costs
Capitalised exploration and licence costs are assessed for impairment when facts and circumstances suggest that the

NOTE 4

Critical accounting estimates and judgements

carrying amount may exceed the recoverable amount. The recoverable amount is the higher of the asset's fair value, minus costs required to sell the asset and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. See note 17.

d) Pensions

The present value of pension liabilities depends on several different factors that are determined by different actuary assumptions. The assumptions used to estimate net pension costs/revenue include the discount rate. Changes in this assumption will influence the carrying amount of the pension liabilities.

The group determines a suitable discount rate by year-end. This is the rate used when calculating the present value of future estimated outgoing cash flows needed to settle the pension liabilities. When determining a suitable discount rate, the group considers the interest rate of registered bonds of high quality issued in the same currency as the pension payment, and with approximately the same due date as the related pension liability.

Other pension assumptions are partly based on market terms. Additional information is presented in note 21.

4.2 Critical judgements in applying the Company's accounting policies

Management has made judgements also in the process of applying the group's accounting policies. Such judgements with the most significant effect on the amounts recognised in the financial statements are presented in the following:

a) Accounting policy for exploration expenses

The group uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licences and drilling costs of exploration wells resulting in commercially discoveries of oil and gas reserves, are expensed as incurred.

NOTE 5

Payroll and related expenses, remuneration of directors and management

Amounts in NOK 1 000	**2015**	**2014**
Salaries	39 622	30 026
Payroll tax	2 992	3 603
Share-based payment, bonus shares	0	621
Pension costs (see note 21)	(3 822)	15 831
Other benefits	1 500	2 867
Total	**40 292**	**52 948**
Average number of employees	36,7	40,4

NOTE 5

Payroll and related expenses, remuneration of directors and management (continued)

Remuneration to directors and management in 2015:

Amounts in NOK 1 000	Directors' fees	Salaries	Pension	Other *
Management ***				
Knut Sæberg (CEO and CFO)		2 573	538	16
Erik Henriksen (exploration manager)		2 068	406	18
Kristen Berli (senior vice president business development)		2 464	535	366
Astrid M Tugwell (former vice president operations and HSEQ) **		1 529	266	16
Kristin Ingebrigtsen (former vice president organisation and communication) **		1 518	278	19
Erik Karlstrøm (former CEO) **		1 386	240	25
Board of directors				
Anders Onarheim (chair)	506			
Jogeir Romestrand (director)	263			
Elin Karfjell (director)	245			
Johan P. Barlindhaug (former director)	369			
Heidi Marie Petersen (former director)	228			
Alexander Krogh (former director)	150			
Total	**1 760**	**11 538**	**2 264**	**462**

* Other includes benefits from free car, loan interest rate benefit, allowances to cover telephone and internet, training fee, group life insurance and travel insurance. For Kristen Berli other include a stay on bonus paid.
** Astrid M Tugwell and Kristin Ingebrigtsen left the Company on 31 December 2015. Erik Karlstrøm left the Company on 30 April 2015.
*** Figures for remuneration to management are exclusive payroll tax.

Remuneration to CEO:

The Company's CEO has an agreement with an annual salary of NOK 2.54 million. Other benefits include regular allowances to cover telephone, internet, pension, group life insurance and travel insurance. In addition, he is included in the company's general employee bonus programme as determined by the Board of Directors. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 in cash and bonus shares, where the cash bonus is earned first. In the event of resignation at the request of the Board of Directors, the CEO has a right to a severance payment equivalent to two years of gross fixed salary. If the CEO resigns, there is no severance payment.

Bonus programme:
The management is included in the Company's general employee bonus programme as determined by the Board of Directors. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 in cash and bonus shares, where the cash bonus is earned first. The bonus is linked to the achievement of specified parameters for each member of the executive management's area of responsibility. Both financial and non-financial parameters are used.

Severance payment:
The CEO a has 24-month severance payment agreement. In the event of resignation at the request of the Board of Directors, he has the right to a severance payment equivalent to two years of gross fixed salary. The Vice President for Business Development has a 18-month severance payment agreement, in which 6 months are fixed and for the remaining 12 month, any salary earned from new employment, will be deducted.

Information about loans to employees 2015:
All loans to employees have been settled as of 31 December 2015.

Remuneration to Directors and management in 2014:

Amounts in NOK 1 000	Directors' fees	Salaries	Pension	Other *
Management * **				
Erik Karlstrøm (CEO)		3 008	3 464	969
Knut Sæberg (CFO)		2 563	595	300
Astrid M Tugwell (Vice President Operations and HSEQ)		1 525	299	16
Kristin Ingebrigtsen (Vice President Organisation and Communication)		1 443	382	19
Kristen Berli (Vice President Exploration and Business Development)		2 461	527	366
Marion Høgmo (Vice President Administration and HR) **		672	13	8
Board of Directors				
Anders Onarheim (chair)	36			
Johan P. Barlindhaug (director)	450			
Alexander Krogh (director)	110			
Jogeir Romestrand (director)	36			
Heidi Marie Petersen (director)	175			
Harriet Hagan (former director)	175			
Peter Mellbye (former director)	139			
Gunnar Hvammen (former director)	139			
Total	**1 260**	**11 671**	**5 280**	**1 678**

* Other includes benefits from free car, loan interest rate benefit, allowances to cover telephone and internet, training fee, group life insurance and travel insurance. In addition, for Erik Karlstrøm and Knut Sæberg other include benefit from shares at discounted price in connection with bonus shares, and compensation for tax charge from Top Hat pension scheme for Erik Karlstrøm. For Kristen Berli other include a stay on bonus paid.
** Marion Høgmo left the Company on 31 May 2014. *** Figures for remuneration to management are exclusive payroll tax.

NOTE 5

Payroll and related cost, remuneration to board of directors and management (continued)

Information about loans to employees 2014:

Amounts in NOK 1 000	loan at 31.12	Maturity	Interest rate
Loan to Erik Karlstrøm	750	10 years	2%
Loans to other employees	0	20 years	2%
Total	**750**		

The loans are provided for the purpose of house purchasing and private estates are pledged as security. If employment is terminated, employees must settle the remaining outstanding loan amount.

The board of directors' declaration regarding determination of salary and other remuneration to management employees
The board of directors shall prepare a declaration in accordance with the Norwegian Public Limited Liability Companies Act (Allmennaksjeloven) §6-16a. In accordance with the Norwegian Accounting Act §7-31b, the content of this declaration is presented.

The main principle for the company is that remuneration to management is competitive in a way that the company is able to attract and retain competent management employees. The remuneration shall primarely be based on achievement of results but also on individual criteria such as experience and area of responsibility. The remuneration system for management employees shall further encourage a strong and lasting profit oriented organisation which contributes to increasing the shareholder value. Total remuneration to management employees includes:
(1) Market-based fixed salary.
(2) Bonus. The management is included in the company's general employee bonus programme. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 in cash and bonus shares, where the cash bonus is earned first. The bonus is linked to the achievement of specified parameters for each member of the executive management's area of responsibility. Both financial and non-financial parameters are used.
(3) Pension and insurance. The management is included in the company's general pension and insurance scheme.
(4) Severance payment. The CEO has agreement covering severance payment. In the event of resignation at the request of the board of directors, he has the right to a severance payment equivalent to two years of gross fixed salary.
(5) Other benefits such as free car, and regular allowances to cover telephone, internet, training fee and travel insurance.

NOTE 6

Other operating expenses and remuneration to auditor

Other operating expenses include:

Amounts in NOK 1 000	**2015**	**2014**
Travelling expenses	3 808	5 063
Lease expenses (see note 20)	10 834	5 715
Consultant and other fees	14 781	8 308
Advertising costs	1 063	1 550
Other administrative expenses	13 902	15 563
Total	**44 388**	**36 199**

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	**2015**	**2014**
Audit	642	451
Attestations	54	49
Accounting assistance	0	39
Assistance share issues and prospectus	0	60
Other assistance	68	37
Total, excl. VAT	**764**	**636**

NOTE 7

Other non-current receivables

Other non-current receivables include:

Amounts in NOK 1 000	**2015**	**2014**
Loans to employees (note 5)	(0)	750
Deposit	463	463
Pension assets (note 21)	7 171	3 176
Total	**7 634**	**4 388**

NOTE 8

Prepayments and other receivables

Prepayments and other receivables include:

Amounts in NOK 1 000	**2015**	**2014**
Prepaid expenses	743	6 148
VAT receivable	2 614	3 679
Receivables, from interests in licences	54 273	30 485
Other items	(0)	66
Total	**57 631**	**40 379**

NOTE 9

Cash and cash equivalents

Cash and cash equivalents:

Amounts in NOK 1 000	2015	2014
Bank deposits	34 829	25 740
Total cash and cash equivalents	**34 829**	**25 740**
Of this:		
Restricted cash for withheld taxes from employees salaries	2 307	2 901

NOTE 10

Share capital and shareholder information

Amounts in NOK 1 000	2015	2014
Number of outstanding shares as of 1 January	119 047 066	40 813 448
New shares issued during the year:		
Issued in exchange for cash	0	71 382 154
Issued in connection with conversion of convertible loan	0	6 851 464
Number of outstanding shares as of 31 December	119 047 066	119 047 066
Nominal value NOK per share as of 31 December	1,00	1,00
Share capital NOK as of 31 December	119 047 066	119 047 066

North Energy has one share class with equal rights for all shares.
No dividends have been proposed or paid in 2014 or 2015.

NOTE 10

Share capital and shareholder information (continued)

Main shareholders as of 31 December 2015:

Shareholder	Number of shares	% share
ELECTROMAGNETIC GEOSERVICES ASA	11 851 463	9,96%
CITIBANK, N.A. S/A BARCLAYS BANK	9 000 000	7,56%
ISFJORDEN AS	8 570 651	7,20%
BNY MELLON SA/NV	6 130 000	5,15%
REX INTERNATIONAL HOLDNING LTD.	6 000 000	5,04%
THE NORTHERN TRUST CO.	5 655 820	4,75%
AB INVESTMENT AS	5 078 274	4,27%
VERDIPAPIRFONDET KLP AKSJENORGE	4 636 928	3,90%
THE LIVERPOOL LP	3 405 000	2,86%
JPB AS	3 282 423	2,76%
KOMMUNAL LANDSPENSJONSKASSE	3 008 328	2,53%
SKS EIENDOM AS	2 624 920	2,20%
STATE STREET BANK AND TRUST CO.	2 574 297	2,16%
NORWEGIAN ENERGY COMPANY ASA	2 550 000	2,14%
EUROCLEAR BANK S.A.	2 380 340	2,00%
MTBJ: BROWN BROTHERS HARRI	1 804 005	1,52%
MP PENSJON PK	1 443 000	1,21%
RBC INVESTOR SERVICE	1 345 350	1,13%
ORIGO KAPITAL AS	1 343 569	1,13%
TAJ HOLDING AS	1 205 000	1,01%
Total 20 largest shareholders	83 889 368	70,47%
Other shareholders	35 157 698	29,53%
Total	**119 047 066**	**100,00%**

NOTE 10

Share capital and shareholder information (continued)

Number of shares owned by management and directors as of 31 December 2015:

Management		
Knut Sæberg (CEO and CFO)	242 869	0,20%
Kristen Berli (senior vice president business development)	313 363	0,26%
Board of directors		
Anders Onarheim (chair), througt AB Investment AS and Isfjorden AS	6 428 445	5,40%
Jogeir Romestrand (director), through Rome AS	750 000	0,63%
Elin Karfjell (director), through Elika AS	200 000	0,17%
Total	**7 934 677**	**6,67%**

Number of shares owned by management and directors as of 31 December 2014:

Management		
Erik Karlstrøm (CEO)	714 338	0,60%
Knut Sæberg (CFO)	92 869	0,08%
Astrid M Tugwell (vice president operations and HSEQ)	49 427	0,04%
Kristen Berli (vice president exploration and business development)	113 363	0,10%
	0	0,00%
Board of directors		
Johan P Barlindhaug (director), through JPB AS	3 282 423	2,76%
Jogeir Romestrand (director), through Rome AS	450 000	0,38%
Heidi M. Petersen (director), through Luuna AS	45 000	0,04%
Alexander Krogh (director)	8 500	0,01%
Total	**4 755 920**	**3,99%**

NOTE 11
Current borrowings

Current borrowings include:

Amounts in NOK 1 000	2015	2014
Revolving credit facility (exploration loan), funds drawn	256 898	55 000
Revolving credit facility (exploration loan), transaction costs	(3 603)	0
Balance 31 December	253 295	55 000

North Energy has in December 2014 entered into an agreement to renew its NOK 950 million exploration financing facility for the 2015-2017 period. The agreement includes an option to increase the facility up to NOK 1,150 million. Interest rate is NIBOR + 1.70%. The loan is secured by a pledge in tax receivables from refund pursuant to the Norwegian Petroleum Tax Act and the interests in production licences which are held by the Company at any given time.

NOTE 12
Other current liabilities

Amounts in NOK 1 000	2015	2014
Public duties payable	3 264	3 569
Accruals, from interests in licences	13 761	24 277
Holiday pay and bonus payable	3 661	4 703
Fair value of conversion rights (see note 23)	0	134
Other accruals for incurred costs	11 015	6 557
Total	**31 700**	**39 239**

NOTE 13
Earnings per share

Amounts in NOK 1 000	2015	2014
Profit for the year (NOK 1 000)	(126 052)	(124 509)
Weighted average number of shares outstanding	119 047 065	104 744 732
Earnings per share (NOK per share)		
- Basic	(1,06)	(1,19)
- Diluted	(1,06)	(1,19)

The dilution effect of potentially shares from convertible loans is not presented in the income statement, as the potentially shares would have reduced loss per share.

NOTE 14

Related parties

The company's transactions with related parties:
Amounts in NOK 1 000

(a) Purchases of services

Purchase of services from	Description of services	2015	2014
Johan Petter Barlindhaug (former director)	Consultancy services	5	93
Kharybdis AS (shareholder)	Consultancy services	1 150	0

Services are purchased on market terms.

(b) Remuneration to management and directors

Refer to note 5.

(c) Loans to related parties

See note 5 for information about loans to employees.

(d) Overview of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

Company	Acquisition date	Location	Equity and voting share
4sea Energy AS	11/02/2010	Norway	100%

NOTE 15

Tax

Specification of income tax:

Amounts in NOK 1 000	**2015**	**2014**
Calculated refund tax value of exploration costs this year	382 642	373 624
Of this, refund not recognised in income statement (acquisition of licences recognised net of tax)	0	(45 735)
Correction refund previous years	0	1 298
Change deferred tax asset in balance	18 055	30 179
Of this, deferred tax asset not recognised in income statement (acquisition of licences recognised net of tax)	0	(81)
Of this, deferred tax asset not recognised in income statement (sale of licences recognised net of tax)	(189)	(71)
Of this, deferred tax asset related to items in comprehensive income recognised in comprehensive income	(1 429)	(2 570)
Of this, deferred tax asset related to equity transactions recognised directly in equity	0	(3 433)
Total income tax credit	**399 079**	**353 212**

Specification of tax receivable refund tax value exploration expenses:

Amounts in NOK 1 000	**31/12/15**	**31/12/14**
Calculated refund tax value of exploration costs this year	382 642	373 624
Correction refund previous years, not yet assessed	0	0
Total tax receivable refund tax value exploration expenses	382 642	373 624

Oil-exploration companies operating on the Norwegian Continental Shelf may claim a 78% refund of their exploration costs limited to taxable losses for the year. The refund is paid in December of the following year.

NOTE 15

Tax (continued)

Specification of temporary differences, tax losses carried forward and deferred tax:

Amounts in NOK 1 000	31/12/15	31/12/14
Property, plant and equipment	(6 078)	(4 121)
Capitalised exploration and licence costs	4	11 077
Pensions	2 647	(7 714)
Current borrowings	3 603	0
Convertible loans and conversion rights	488	744
Tax losses carried forward, onshore	(26 279)	(31 158)
Tax losses carried forward, offshore only 25% basis	(170 927)	(137 096)
Tax losses carried forward, offshore only 53% basis	(944)	(931)
Tax losses carried forward, offshore both 25% and 53% basis	(134 576)	(120 422)
Total basis for deferred tax	(332 061)	(289 622)
Deferred tax liability (-) / tax asset (+)	156 388	140 182
Uncapitalised deferred tax asset (valuation allowance) *	(6 585)	(8 435)
Deferred tax liability (-) / tax asset (+) in balance	149 803	131 748

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses related to its offshore activities to be paid in cash from the tax authorities when offshore activities subject to additional tax cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore recognised in full.

* Uncapitalised deferred tax asset relates mainly to onshore tax loss carried forward in subsidiary 4sea energy AS.

Reconciliation of effective tax rate:

Amounts in NOK 1 000	2015	2014
Profit before tax	(525 131)	(477 722)
Expected income tax credit 78%	409 602	372 623
Adjusted for tax effects (27% - 78%) of the following items:		
- Permanent differences	2 162	(12 724)
- Correction previous years	0	838
- Interest on tax losses carried forward offshore	1 708	1 717
- Finance items and different tax rate in subsidiary	(12 399)	(10 177)
- Changed tax rates from 1 January 2016	(3 845)	0
- Change in valuation allowance for deferred tax assets	1 849	936
Total income tax credit	**399 079**	**353 212**

NOTE 16

Property, plant and equipment

Amounts in NOK 1 000	Equipment, office machines, etc
2015	
Cost:	
At 1.1.2015	51 637
Additions	277
Disposals	(361)
At 31.12.2015	51 553
Depreciation and impairment:	
At 1.1.2015	(41 735)
Depreciation this year	(6 050)
Impairment this year	0
Disposals	0
At 31.12.2015	(47 785)
Carrying amount at 31.12.2015	3 768
2014	
Cost:	
At 1.1.2014	44 289
Additions	7 347
Disposals	0
At 31.12.2014	51 637
Depreciation and impairment:	
At 1.1.2014	(35 124)
Depreciation this year	(6 611)
Impairment this year	0
Disposals	0
At 31.12.2014	(41 735)
Carrying amount at 31.12.2014	9 902
Economic life	3-10 years
Depreciation method	linear

NOTE 17

Capitalised and expensed exploration and licence costs

(a) Capitalised exploration and licence costs

Amounts in NOK 1 000	**Capitalised exploration and licence costs**
2015	
Cost:	
At 1.1.2015	11 540
Additions, capitalised exploration and licence costs *	200 170
Disposals, impairment **	(171 365)
Disposals, sale **	(40 341)
At 31.12.2015	4
Amortisation and impairment:	
At 1.1.2015	0
Amortisation this year	0
Impairment this year **	(171 365)
Disposals **	171 365
At 31.12.2015	0
Carrying amount at 31.12.2015	4

* Additions relate mainly to drilling of exploration wells in PL 591 (Zumba), PL 616 (Haribo), PL 510 (Tvillingen South) and PL 708 (Seiland East).
** Disposals relate mainly to impairment of capitalised expenses in PL 591 (Zumba), PL 616 (Haribo) and PL 510 (Tvillingen South) due to dry and non-commercial well results, and sale of PL 708 (Seiland East).

2014	
Cost:	
At 1.1.2014	17 496
Additions, capitalised exploration and licence costs *	61 845
Disposals, impairment **	(66 880)
Disposals, sale	(922)
At 31.12.2014	11 540

NOTE 17

Capitalised and expensed exploration and licence costs (continued)

Amortisation and impairment:	
At 1.1.2014	0
Amortisation this year	0
Impairment this year **	(66 880)
Disposals **	66 880
At 31.12.2014	0
Carrying amount at 31.12.2014	**11 540**

* Additions relate mainly to drilling of exploration wells in PL 713 (Pingvin) and PL 510 (Tvillingen Sør).
** Disposals relate mainly to impairment of capitalised expenses in PL 713 (Pingvin) and PL 510 (Tvillingen South). The Pingvin discovery is at the present time assessed not to be commercially recoverable. The licence partners in PL 510 have decided to plug and abandon the exploration well. This follows a period of difficulties in a liner setting covering the intermediate part of the well.

At 30 September 2014 North Energy completed the transaction where North Energy acquired a 10 per cent interest in PL 507 (Lupus) from Tullow Oil Norge AS. The agreement was signed in June 2014 and the effective date for the transaction was 1 January 2014. The drilling of the exploration well was completed in July 2014 and it was a dry well result. Drilling expenses and other exploration expenses in the interim period 1 January 2014 to 30 September 2014 was NOK 56.7 million, and has been expensed net after tax with NOK 12.5 million.

Depreciation method: capitalised exploration and licence costs will be depreciated using the unit-of-production method, if and when reserves are produced.

(b) Expensed exploration and licence costs

Specification of expensed exploration and licence costs:

Amounts in NOK 1 000	2015	2014
Share of exploration expenses from participation in licences, incl seismic, G&G, dry wells, carry	208 165	80 040
Impairment of capitalised exploration expenses	171 365	66 780
Seismic, EM data library and other exploration costs	35 709	218 312
Total exploration and licence costs	**415 240**	**365 132**

NOTE 18

Finance income and costs

Finance income:

Amounts in NOK 1 000	2015	2014
Interest income bank deposits	247	319
Interest income on tax refund	4 478	5 086
Other interest income	20	27
Foreign exchange gain	12 630	5 461
Finance income, from interests in licences	0	202
Change in fair value of conversion rights	134	993
Other finance income	75	0
Total finance income	**17 585**	**12 089**

Finance costs:

Amounts in NOK 1 000	2015	2014
Interest expenses and transaction costs on current borrowings	17 796	19 516
Interest expenses and amortised cost convertible loans	3 632	5 963
Finance expenses, from interests in licences	1 333	0
Loss from sales of available for sale investments	508	0
Foreign exchange loss	18 154	5 821
Other finance costs	690	1 114
Total finance costs	**42 113**	**32 414**

NOTE 19
Financial instruments

(a) Categories of financial instruments

at 31 December 2015:

Amounts in NOK 1 000	**Loans and receivables**	**Available-for-sale financial assets**
Assets:		
Other non-current receivables (see note 7) 1	(0)	0
Available for sale investments	0	10 886
Other current receivables (see note 8) 1	54 273	0
Cash and cash equivalents	34 829	0
Total	**89 102**	**10 886**

Amounts in NOK 1 000	**Financial liabilities measured at amortised cost**	**Financial liabilities at fair value through profit or loss**
Liabilities:		
Convertible loans	41 041	
Trade creditors	1 720	
Fair value of conversion rights	0	0
Other current liabilities (see note 12) 2	17 422	
Current borrowings	253 295	
Total	**313 477**	**0**

at 31 December 2014:

Amounts in NOK 1 000	**Loans and receivables**	**Available-for-sale financial assets**
Assets:		
Other non-current receivables (see note 7) [1]	750	0
Available for sale investments	0	0
Other current receivables (see note 8) [1]	30 551	0
Cash and cash equivalents	25 740	0
Total	**57 042**	**0**

[1] Pension assets, deposit, prepaid expenses and VAT receivable are excluded since they are not defined as financial instruments.

NOTE 19

Financial instruments (continued)

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Convertible loans	31 120	
Trade creditors	20 997	
Fair value of conversion rights	0	134
Other current liabilities (see note 12) [2]	28 979	
Current borrowings	55 000	
Total	**136 096**	**134**

[2] Public duties payable and accruals for incurred costs are excluded since they are not defined as financial instruments.

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value, since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors, other current liabilities and current borrowings is approximately equal to fair value, since the effect of discounting is not significant. The carrying amount of convertible loans is approximately equal to fair value, since there have not been material changes in market interest rate and credit risk since the borrowings.

Fair value of available for sale investments is the stock market price at the balance sheet date (level 1 in the fair value hierarchy).

Fair value of conversion rights classified as an financial obligation (derivative) is calculated using a model which is based on observable data (level 2 in the fair value hierarchy).

Fair value of conversion rights is calculated using a model which is based on observable data (level 2 in the fair value hierarchy).

NOTE 19

Financial instruments (continued)

(c) Creditworthiness of financial assets

The group does not have a system that separates receivables and loans by counterparty credit rating. Non-current receivables are loans to employees. Loans to employees are repaid as agreed and have been repaid in 2015. Cash and cash equivalents are receivables from banks, and Standard & Poor's credit rating of these banks is presented below:

	2015	**2014**
Bank deposits:	34 829	25 740

Amounts in NOK 1 000	**2015**	**2014**
No external credit rating	0	0
A	34 829	25 740
AA	0	0
Total	**34 829**	**25 740**

(d) Financial risk factors

See note 3 for financial risk factors and risk management, sensitivity analysis and capital management.

NOTE 20

Leases

North Energy has no finance leases. North Energy has entered into operating leases for office premises, cars, machinery and office furniture. The leases do not impose any restrictions on the company's dividend policy or financing opportunities.

Lease costs consist of the following:

Amounts in NOK 1 000	**2015**	**2014**
Lease office premises (inclusive joint costs)	11 349	6 147
Lease machinery and office furniture	3	21
Lease cars	45	197
Sublease office premises	(563)	(650)
Total lease costs	**10 834**	**5 715**

Future minimum rents related to non-cancellable leases and subleases fall due as follows:

Amounts in NOK 1 000	**2015**	**2014**
Within 1 year	2 144	4 340
1 to 5 years	3 838	12 693
After 5 years	0	5 663
Total	**5 982**	**22 696**

NOTE 21
Pension

The group has defined benefit plans. Future pension payments are mainly influenced by years of service, salary and payments from National Insurance. The pension plans include at 31 December 2015 17 employees in the group (at 31 December 2014: 43 employees).

The pension arrangements fulfil the requirements of the Norwegian Act on mandatory occupational pensions.

Actuarial assumptions:	**2015**	**2014**
Discount rate	2,70%	3,00%
Expected annual salary increases	2,50%	3,25%
Expected annual adjustment of pension benefits	2,25%	3,00%
Expected rate of adjustment to NI base rate (G)	2,25%	3,00%
Mortality assumptions are based on mortality table	K2013 BE	K2013 BE
Disability assumptions are based on disability table	IR02	IR02

Specification of net pension liability:

Amounts in NOK 1 000	**2015**	**2014**
Present value of funded obligations at 31.12	31 798	50 912
Estimated fair value of plan assets at 31.12	34 445	43 198
Net pension liability / (assets)	**(2 647)**	**7 714**

Classification of net pension liability in the balance sheet:

Amounts in NOK 1 000	**2015**	**2014**
Other non-current receivables (note 7)	7 171	3 176
Pension liabilities	4 524	10 890
Net pension liability / (assets)	**(2 647)**	**7 714**

One individual pension plan was over funded by NOK 7.171 million at the end of 2015 (NOK 3.176 million at the end of 2014). The over funding will be used to cover future liabilities, but not liabilities in other pension plans that the company has. The amount is therefore classified with other non-current receivables.

NOTE 21

Pension (continued)

Movement in the liability for defined benefit obligations during the year:

Amounts in NOK 1 000	2015	2014
Defined benefit obligations at 1 January	50 912	33 343
Current service costs	8 555	9 978
Interest expense	1 165	1 576
Changes in pension plan	0	5 089
Curtailment and settlements	(22 392)	0
Remeasurements, actuarial loss/(gain)	(6 442)	926
Liability for defined benefit obligations at 31 December	**31 798**	**50 912**

Movement in fair value of plan assets for defined benefit obligations:

Amounts in NOK 1 000	2015	2014
Fair value of plan assets at 1 January	43 198	34 325
Interest income	596	812
Changes in pension plan	0	0
Curtailment and settlements	(9 446)	0
Remeasurements, actuarial gain/(loss)	(8 274)	(2 368)
Employer contributions	8 371	10 430
Fair value of plan assets at 31 December	**34 445**	**43 198**

Pension expense recognised in income statement:

Amounts in NOK 1 000, incl. social security	2015	2014
Current service costs	8 555	9 978
Net interest expense	568	764
Changes in pension plan	0	5 089
Curtailment and settlements	(12 945)	0
Total pension expense included in payroll and related cost	**(3 822)**	**15 831**

NOTE 21

Pension (continued)

Plan assets are comprised as follows	**2015**	**2014**
Shares	7,1 %	4,2 %
Alternative investments	4,2 %	4,3 %
Short-term bonds	14,4 %	16,2 %
Money market	22,4 %	24,7 %
Long-term bonds	34,8 %	35,3 %
Property	15,0 %	13,9 %
Other	2,1 %	1,5 %
Total	**100,0 %**	**100,0 %**

	2015	**2014**
Expected contributions to funded plans next year	2 619	11 100

NOTE 22

Gain from sales of licences

Gain from sales of licences in 2015 relate to sale of:
- 5 per cent interest in PL 507 to Explora Petroleum AS
- 5 per cent interest in PL 507 to Tullow Oil Norge AS
- 10 per cent interest in PL 708 to Pure E&P Norway AS
- 10 per cent interest in PL 722 to Det norske oljeselskap ASA

Gain from sales of licences in 2014 relate to sale of:
- 20 per cent interest in PL 498 to Lime Petroleum Norway AS
- 20 per cent interest in PL 509 to Lime Petroleum Norway AS
- 5 per cent interest in PL 591 to Lime Petroleum Norway AS

NOTE 23
Convertible loans

Convertible loans include:

Amounts in NOK 1 000	**2015**	**2014**
Convertible loan from TGS Nopec	26 948	23 666
Convertible loan from Rex Technologies Management	14 581	8 332
Fair value of conversion rights at time of borrowing	-488	-878
Balance 31 December	41 041	31 120

Convertible loans from TGS Nopec with borrowing limit up to NOK 200 million and from Rex Technologies Management with borrowing limit up to NOK 100 million. The conditions of the loans are eight per cent annual interest and maturity in March 2017, during which repayments may be made but are not mandatory. The lender has an annual conversion right on the loan which has accumulated over a 12-month period. The conversion price is NOK 8 per share, however if the share price exceeds NOK 16 per share, the conversion price shall be adjusted upwards equal to the share price minus NOK 8. The conversion rights are classified as an financial obligation (derivative) and are measured at fair value with changes in fair value recognised in the income statement as financial items. The fair value of the conversion rights is presented within other current liabilities.

Former convertible loan from EMGS of NOK 75 million related to the license of the EM data library:
NOK 28.4 million of the loan was converted into shares on 19 August 2014, and the remaining loan balance of NOK 46.6 million was repaid on 2 September 2014. In connection with the conversion into shares, 6 851 463 new shares were issued. The conditions of the loan were six per cent annual interest and maturity on 2 September 2014. The conversion price was NOK 4.15 per share (subject to standard adjustment clauses), and the loan could be converted into shares in the period from 19 June to 19 August 2014.

The value of the liability component and the equity conversion component were determined at issuance of the loan. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible loan. The liability component is subsequently stated at amortised cost. The residual amount, representing the value of the equity conversion component, is included in equity in other paid-in capital, net of deferred tax.

NOTE 24
Contingent liabilities

As of 31.12.2015 North Energy is involved in a legal dispute with the former CEO of the Company over the validity of the resignation, severance payment and pension obligations. The outcome of this claim is not yet known. According to the company's judgement, a positive outcome for the company is considered more likely than not, hence there is no contingent liability recorded in the balance sheet at year end for this dispute. The company's total exposure varies from an income of NOK 2.6 million if the company wins the case to a maximum loss of around NOK 13 million if the company loses the case. The loss includes a severance payment of 2 years' salary, in addition to increased pension obligations.

NOTE 25

Shares in licenses and obligations

Shares in licenses at 31 December 2015:

License	Share
PL 503/503B/503C	12,5 %
PL 510	20%
PL 590/590B	30%
PL 591/591B/591C	15%
PL 601	20%
PL 616	15%
PL 656	10%
PL 693	15%
PL 707	10%
PL 713	20%
PL 719	20%
PL 762	20%
PL 769	20%
PL 770	20%

The group has no obligations at 31 December 2015.

Shares in licenses at 31 December 2014:

License	Share
PL 484	20%
PL 503/503B/503C	12,5 %
PL 507	10%
PL 510	20%
PL 587	40%
PL 590/590B	30%
PL 591/591B/591C	15%
PL 595	40%
PL 601	20%
PL 616	15%
PL 656	10%
PL 693	15%
PL 707	10%
PL 708	10%
PL 713	20%
PL 719	20%
PL 722	10%
PL 762	20%
PL 769	20%
PL 770	20%

Obligations at 31 December 2014:

License	Share	Obligation	Expected time	Obligation in MNOK
PL 510	20%	One firm well	Q1 2015	80 - 120 *
PL 591	15%	One firm well	Q2-Q3 2015	60 - 80
PL 616	15%	One firm well	Q3 2015	50 - 70
PL 708	10%	One firm well	Q4 2015	55 - 65

* Applies to exploration well 6406/6-4. It may come a new well in the license.

The group has only minor obligations from the current licence portfolio. There are no commitments for any drilling operations in either the existing licence portfolio nor the new portfolio coming from the Explora acquisition.

NOTE 26

Available for sale investments

Available for sale investments expenses include:

Amounts in NOK 1 000	**2015**	**2014**
Stock exchange-listed shares	10 886	0
Total carrying amount	**10 886**	**0**

Carrying amount is equal to fair value, representated by quoted market prices at balance sheet date.
Change in fair value recognised in equity through the statement of comprehensive income is in 2015 NOK 1.296 million.
Loss from sales of available for sale investments recognised as finance cost is in 2015 NOK 0.508 million.

NOTE 27

Events after the balance sheet date

North Energy has in December 2015 entered into an agreement to acquire 100% of the shares in Explora Petroleum AS for a cash payment of USD 2.5 million. The transaction was approved by the Norwegian authorities in February 2016.

North Energy will consolidate its petroleum operations in a single company through transferring today's petroleum operations from North Energy to Explora, thereby bringing employees together in a new organisation for the combined company.

The acquisition of Explora Petroleum adds to the company's licence portfolio but the company has not entered into any commitments for drilling operations for these licences.

In February 2016 North Energy's registered office was moved from Tromsø to Oslo.

"Given the current market situation, North Energy will safeguard its cash position and be very selective about future commitments"

Financial Statements – North Energy ASA

Income statement

NOK 1 000

	Note	2015	2014
Gain from sales of licences	23	5 367	3 493
Payroll and related expenses	5	(40 292)	(52 948)
Depreciation and amortisation	16	(6 050)	(6 611)
Exploration expenses	17	(415 240)	(365 132)
Other operating expenses	6	(44 251)	(36 068)
OPERATING LOSS		**(500 466)**	**(457 266)**
Financial income	18	44 295	12 089
Financial expenses	18	(47 148)	(36 011)
NET FINANCIAL ITEMS		**(2 854)**	**(23 922)**
LOSS BEFORE INCOME TAX		**(503 319)**	**(481 188)**
Income tax credit	15	399 079	353 212
LOSS FOR THE YEAR		**(104 240)**	**(127 975)**

Statement of comprehensive loss

NOK 1 000

	Note	2015	2014
LOSS FOR THE YEAR		**(104 240)**	**(127 975)**
Other comprehensive income, net of tax:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gain/(loss) pension	21	(403)	(725)
Items that will be reclassified to profit or loss in subsequent periods:			
Available for sale investments - change in fair value	26	1 296	00
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**893**	**(725)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(103 347)**	**(128 700)**

Balance sheet

NOK 1 000

ASSETS **Non-current assets**	Note	31/12/15	31/12/14
Property, plant and equipment	16	3 768	9 901
Capitalised exploration and licence costs	17	4	11 540
Investment in subsidiaries	13	0 0	50 000
Available for sale investments	26	10 886	0 0
Deferred tax asset	15	149 803	131 748
Other receivables	7	7 634	4 388
TOTAL NON-CURRENT ASSETS		**172 095**	**207 578**
Current assets			
Prepayments and other receivables	8	57 631	40 377
Tax receivable, refund tax value exploration expenses	15	382 642	373 624
Cash and cash equivalents	9	34 638	25 624
Total current assets		474 910	439 626
TOTAL ASSETS		**647 004**	**647 203**
ASSETS **Non-current assets**			
Share capital	10	119 047	119 047
Share premium		965 772	965 772
Other paid-in capital		30 691	30 691
Retained earnings		(805 817)	(702 471)
TOTAL EQUITY		**309 693**	**413 040**

Balance sheet (continued)

LIABILITIES	Note	31/12/15	31/12/14
Non-current liabilities			
Pension liabilities	21	4 524	10 890
Convertible loans	25	41 041	31 120
TOTAL NON-CURRENT LIABILITIES		**45 565**	**42 009**
Current liabilities			
Current borrowings	11	253 295	55 000
Loan from subsidiary	22	5 035	76 920
Trade creditors		1 717	20 995
Other current liabilities	12	31 700	39 239
TOTAL CURRENT LIABILITIES		**291 747**	**192 154**
TOTAL LIABILITIES		**337 312**	**234 164**
TOTAL EQUITY AND LIABILITIES		**647 004**	**647 203**

Oslo, 30 March 2016

Anders Onarheim, Chair

Jogeir Romestrand, Director

Elin Karfjell, Director

Johan Terje Bjerka, Director

Knut Sæberg, CEO

Statement of changes in equity

NOK 1 000

	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2014	40 813	740 387	29 570	(573 770)	237 000
Transactions with owners:					
Share issues	78 234	235 299	0 0	0 0	313 532
Share issue expenses (net after tax)	0 0	(9 914)	0 0	0 0	(9 914)
Convertible loan - equity component (net after tax)	0 0	0 0	632	0 0	632
Share-based payment, bonus shares	0 0	0 0	489	0 0	489
Comprehensive income:					
Total compehensive income for 2014	0 0	0 0	0 0	(128 700)	(128 700)
EQUITY AT 31 DECEMBER 2014	**119 047**	**965 772**	**30 691**	**(702 471)**	**413 040**
Equity at 1 January 2015	119 047	965 772	30 691	(702 471)	413 040
Comprehensive income:					
Total compehensive income for 2015	0 0	0 0	0 0	(103 347)	(103 347)
EQUITY AT 31 DECEMBER 2015	**119 047**	**965 772**	**30 691**	**(805 817)**	**309 693**

Cash flow statement

NOK 1 000

	Note	2015	2014
Cash flow from operating activities			
Loss before income tax		(503 319)	(481 188)
Adjustments:			
Tax refunded	15	373 624	353 518
Depreciation	16	6 050	6 611
Gain from sales of licences	23	(5 367)	(3 493)
Impairment of capitalised exploration expenses	17	171 365	66 880
Pensions		(12 193)	5 402
Expensed share-based payment recognised in equity		0 0	621
Transaction costs and interest on borrowings recognised in P&L	18	26 072	27 529
Changes in fair value of conversion rights and loans at amortised cost	18	256	555
Dividend from subsidiary recognised in P&L without impact on cash flows	13,22	(26 710)	0 0
Debt-financed exploration expenses without impact on cash flows	25	9 531	87 183
Loss from sales of available for sale investments	26	508	0 0
Changes in trade creditors		(19 278)	12 894
Changes in other accruals		4 205	(66 491)
NET CASH FLOW FROM OPERATING ACTIVITIES		**24 744**	**10 020**

Cash flow statement (continued)

Cash flow from investing activities	Note	2015	2014
Purchase of property, plant and equipment	16	(277)	(7 347)
Proceeds from sales of property, plant and equipment		361	0 0
Proceeds from sales of licences	23	16 181	3 666
Capitalised exploration and licence costs	15,17	(200 170)	(64 484)
Purchase of available for sale investments	26	(10 434)	0 0
Proceeds from sales of available for sale investments		335	0 0
Proceeds from payments of other non-current receivables	7	750	1 296
NET CASH FLOW FROM INVESTING ACTIVITIES		**(193 254)**	**(66 869)**
Cash flow from financing activities			
Funds drawn current borrowings	11,22	580 000	500 000
Repayments of current borrowings	11,22	(378 102)	(615 000)
Funds drawn convertible loans	25	0 0	0 0
Repayments of convertible loans		0 0	(68 814)
Repayments of loan from subsidiary		(210)	0 0
Transaction costs and interest on borrowings paid	11,18	(24 165)	(19 772)
Proceeds from share issues		0 0	271 420
NET CASH FLOW FROM FINANCING ACTIVITIES		**177 523**	**67 834**
NET CHANGE IN CASH AND CASH EQUIVALENTS		**9 013**	**10 985**
Cash and cash equivalents at 1 January	9	25 624	14 639
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**9**	**34 638**	**25 624**

Notes – North Energy ASA

NOTE 1
General information

North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office in Oslo. The company's shares were listed on Oslo Axess on 5 February 2010. The company's only business segment is exploration for oil and gas on the Norwegian continental shelf. The financial statements were approved by the Board of Directors and CEO at 30 March 2016.

NOTE 2
Summary of significant accounting policies

2.1 Basis for preparation
The financial statements of North Energy ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and in accordance with additional requirements pursuant to the Norwegian Accounting Act.

2.2 Accounting policies
Accounting policies described in the consolidated financial statements of North Energy Group also apply for North Energy ASA. See the description of accounting policies in note 2 in the consolidated financial statements of North Energy Group. Investment in subsidiaries are in the financial statements of North Energy ASA (parent company) valued at cost, less any necessary impairment. Impairment to recoverable amount will be carried out if impairment indicators are present and recoverable amount is less than book value. Recoverable amount is the higher of the asset's fair value less costs required to sell the asset and its value in use. Impairments are reversed when the cause and basis of the initial impairment is no longer present.

NOTE 3
Financial risk management

See note 3 in the consolidated financial statements.

NOTE 4
Critical accounting estimates and judgements

See note 4 in the consolidated financial statements.

NOTE 5

Payroll and related expenses, remuneration of directors and management

Amounts in NOK 1 000	2015	2014
Salaries	39 622	30 026
Payroll tax	2 992	3 603
Share-based payment, bonus shares	0 0	621
Pension costs (see note 21)	(3 822)	15 831
Other benefits	1 500	2 867
Total	**40 292**	**52 948**
Average number of employees	36,7	40,4

Remuneration to directors and management: See note 5 in the consolidated financial statements.

The Board of Directors' declaration regarding determination of salary and other remuneration to management employees

The Board of Directors shall prepare a declaration in accordance with the Norwegian Public Limited Liability Companies Act (Allmennaksjeloven) §6-16a. In accordance with the Norwegian Accounting Act §7-31b, the content of this declaration is presented.

The main principle for the Company is that remuneration to management is competitive in a way that the company is able to attract and retain competent management employees. The remuneration shall primarely be based on achievement of results, but also on individual criteria such as experience and area of responsibility. The remuneration system for management employees shall further encourage a strong and lasting profit-oriented organisation that contributes to increasing the shareholder value.

Total remuneration to management employees includes:
(1) Market-based fixed salary.
(2) Bonus. The management is included in the company's general employee bonus programme. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 in cash and bonus shares, where the cash bonus is earned first. The bonus is linked to the achievement of specified parameters for each member of the executive management's area of responsibility. Both financial and non-financial parameters are used.
(3) Pension and insurance. The management is included in the company's general pension and insurance scheme.
(4) Severance payment. The CEO has an agreement covering severance payment. In the event of resignation at the request of the Board of Directors, he has the right to a severance payment equal to two years of gross fixed salary.
(5) Other benefits such as free car, and regular allowances to cover telephone, internet, training fee and travel insurance.

NOTE 6

Other operating expenses and remuneration to auditor

Other operating expenses consist of:

Amounts in NOK 1 000	**2015**	**2014**
Travelling expenses	3 808	5 063
Lease expenses (see note 20)	10 834	5 653
Consultant and other fees	14 659	8 253
Advertising costs	1 063	1 550
Other administrative expenses	13 887	15 549
Total	**44 251**	**36 068**

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	**2015**	**2014**
Audit	600	430
Attestations	54	49
Accounting assistance	0 0	39
Assistance share issues and prospectus	0 0	60
Other assistance	68	37
Total, excl. VAT	**722**	**616**

NOTE 7

Other non-current receivables

Other non-current receivables consist of:

Amounts in NOK 1 000	**2015**	**2014**
Loans to employees (note 5)	(0)	750
Deposit	463	463
Pension assets (note 21)	7 171	3 176
Total	**7 634**	**4 388**

NOTE 8

Prepayments and other receivables

Prepayments and other receivables consist of:

Amounts in NOK 1 000	**2015**	**2014**
Prepaid expenses	743	6 148
VAT receivable	2 614	3 678
Receivables, from interests in licences	54 273	30 485
Other items	(0)	66
Total	**57 631**	**40 377**

NOTE 9

Cash and cash equivalents

Amounts in NOK 1 000	2015	2014
Bank deposits	34 638	25 624
Total cash and cash equivalents	**34 638**	**25 624**
Of this:		
Restricted cash for taxes withheld from employees salaries	2 307	2 901

NOTE 10

Share capital and shareholder information

See note 10 in the consolidated financial statements.

NOTE 11

Current borrowings

See note 11 in the consolidated financial statements.

NOTE 12

Other current liabilities

Amounts in NOK 1 000	2015	2014
Public duties payable	3 264	3 569
Accruals, from interests in licences	13 761	24 277
Holiday pay and bonus payable	3 661	4 703
Fair value of conversion rights	0 0	134
Other accruals for incurred costs	11 015	6 557
Total	**31 700**	**39 239**

NOTE 13

Investment in subsidiaries

Amounts in NOK 1 000

Company	**Acquisition date**	**Location**	**Equity and voting share**	**Book value 31.12.2015**	**Book value 31.12.2014**
4sea Energy AS	11/02/2010	Norway	100 %	00	50 000
Total				00	50 000

On 11 February 2010 North Energy ASA completed the acquisition of 100% of the outstanding shares in 4sea Energy AS. The consideration for the aquisition comprise 1.886.792 new issued shares in North Energy ASA, each with par value of NOK 1 and at a price of NOK 26.5, i.e. total consideration of NOK 50 million. Dividend from subsidiary in 2015 is NOK NOK 76.71 million. NOK 50 million of this has been recognised as a reduction of investment in subsidiary and the remaining NOK 26.71 million has been recognised as finance income. The dividend has been settled against loan from subsidiary.

NOTE 14

Related parties

See note 14 in the consolidated financial statements.

NOTE 15

Tax

Specification of income tax:

Amounts in NOK 1 000	**2015**	**2014**
Calculated refund tax value of exploration costs this year	382 642	373 624
Of this, refund not recognised in income statement (acquisition of licences recognised net of tax)	0 0	(45 735)
Correction refund previous years	0 0	1 298
Change deferred tax asset in balance	18 055	30 179
Of this, deferred tax asset not recognised in income statement (acquisition of licences recognised net of tax)	0 0	(81)
Of this, deferred tax asset not recognised in income statement (sale of licences recognised net of tax)	(189)	(71)
Of this, deferred tax asset related to items in comprehensive income recognised in comprehensive income	(1 429)	(2 570)
Of this, deferred tax asset related to equity transactions recognised directly in equity	0 0	(3 433)
Total income tax credit	**399 079**	**353 212**

NOTE 15

Tax (continued)

Specification of tax receivable refund tax value exploration expenses:

Amounts in NOK 1 000	31/12/15	31/12/14
Calculated refund tax value of exploration costs this year	382 642	373 624
Correction refund previous years, assessed but not settled	0 0	0 0
Total tax receivable refund tax value exploration expenses	**382 642**	**373 624**

Oil-exploration companies operating on the Norwegian Continental Shelf may claim a 78% refund of their exploration costs limited to taxable losses for the year. The refund is paid in December the following year.

Specification of temporary differences, tax losses carried forward and deferred tax:

Amounts in NOK 1 000	31/12/15	31/12/14
Property, plant and equipment	(6 016)	(4 040)
Capitalised exploration and licence costs	4	11 077
Pensions	2 647	(7 714)
Current borrowings	3 603	0 0
Convertible loans and conversion rights	488	744
Tax losses carried forward, onshore	0 0	0 0
Tax losses carried forward, offshore only 25% basis	(170 927)	(137 096)
Tax losses carried forward, offshore only 53% basis	(944)	(931)
Tax losses carried forward, offshore both 25% and 53% basis	(134 576)	(120 422)
Total basis for deferred tax	(305 720)	(258 383)
Deferred tax liability (-) / tax asset (+)	149 803	131 748
Not capitalised deferred tax asset (valuation allowance)	0 0	0 0
Deferred tax liability (-) / tax asset (+) in balance	**149 803**	**131 748**

Companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim the tax value of any unused tax losses related to its offshore activities to be paid in cash from the tax authorities when offshore activities subject to additional tax cease. Deferred tax assets that are based on offshore tax losses carried forward are therefore recognised in full.

NOTE 15

Tax (continued)

Reconciliation of effective tax rate:

Amounts in NOK 1 000	**2015**	**2014**
Profit before tax	(503 319)	(481 188)
Expected income tax credit 78%	392 589	375 326
Adjusted for tax effects (27% - 78%) of the following items:		
Permanent differences	9 374	(12 724)
Correction previous years	0 0	838
Interest on tax losses carried forward offshore	1 708	1 717
Finance items	(1 275)	(11 945)
Changed tax rates from 1 January 2016	(3 318)	0 0
Change in valuation allowance for deferred tax assets	0 0	0 0
Total income tax credit	**399 079**	**353 212**

NOTE 16

Property, plant and equipment

See note 16 in the consolidated financial statements.

NOTE 17

Capitalised and expensed exploration and licence costs

See note 17 in the consolidated financial statements.

NOTE 18

Finance income and costs

Finance income:

Amounts in NOK 1 000	**2015**	**2014**
Interest income bank deposits	247	319
Interest income on tax refund	4 478	5 086
Other interest income	20	27
Foreign exchange gain	12 630	5 461
Finance income, from interests in licences	0 0	202
Change in fair value of conversion rights	134	993
Dividend from subsidiary	26 710	0 0
Other finance income	75	0 0
Total finance income	**44 295**	**12 089**

NOTE 18

Finance income and costs (continued)

Finance costs:

Amounts in NOK 1 000	2015	2014
Interest expense and transaction costs on current borrowings	17 796	19 516
Interest expenses and amortised cost convertible loans	3 632	5 963
Interest expense on loan from sybsidiary	5 035	3 597
Finance expenses, from interests in licences	1 333	0 0
Loss from sales of available for sale investments	508	0 0
Foreign exchange loss	18 154	5 821
Other finance costs	690	1 114
Total finance costs	**47 148**	**36 011**

NOTE 19

Financial instruments

(a) Categories of financial instruments

at 31 December 2015:

Amounts in NOK 1 000	Loans and receivables	Available-for-sale financial assets
Assets:		
Other non-current receivables (see note 7) [1]	0 0	
Available for sale investments		10 886
Other current receivables (see note 8) [1]	54 273	
Cash and cash equivalents	34 638	
Total	**88 910**	**10 886**

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Convertible loans	41 041	
Trade creditors	1 717	
Fair value of conversion rights		0 0
Other current liabilities (see note 12) 2	17 422	
Current borrowings	253 295	
Loan from subsidiary	5 035	
Total	**318 509**	**0 0**

NOTE 19

Financial instruments (continued)

At 31 December 2014:

Amounts in NOK 1 000	Loans and receivables	Available-for-sale financial assets
Assets:		
Other non-current receivables (see note 7) 1	750	
Available for sale investments		0 0
Other current receivables (see note 8) 1	30 551	
Cash and cash equivalents	25 624	
Total	**56 926**	**0 0**

Amounts in NOK 1 000	Financial liabilities measured at amortised cost	Financial liabilities at fair value through profit or loss
Liabilities:		
Convertible loans	31 120	
Trade creditors	20 995	
Fair value of conversion rights		134
Other current liabilities (see note 12) 2	28 979	
Current borrowings	55 000	
Loan from subsidiary	76 920	
Total	**213 015**	**134**

[1] Pension assets, deposit, prepaid expenses and VAT receivable are excluded since they are not defined as financial instruments.
[2] Public duties payable and accruals for incurred costs are excluded since they are not defined as financial instruments.

NOTE 19

Financial instruments (continued)

(b) Fair value of financial instruments

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value, since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors, other current liabilities, current borrowings and loan from subsidiary is approximately equal to fair value, since the effect of discounting is not significant. The fair value of convertible loans is somewhat higher than the carrying amount, due to a reduction in market interest rate and credit risk since the borrowings. Fair value of available for sale investments is the stock market price at the balance sheet date (level 1 in the fair value hierarchy).

Fair value of conversion rights classified as an financial obligation (derivative) is calculated using a model which is based on observable data (level 2 in the fair value hierarchy).

Fair value of conversion rights is calculated using a model which is based on observable data (level 2 in the fair value hierarchy).

(c) Creditworthiness of financial assets

The company does not have a system that separates receivables and loans by counterparty credit rating. Non-current receivables are loans to employees. Loans to employees are repaid as agreed and have been repaid in 2015. Cash and cash equivalents are receivables from banks, and Standard & Poor's credit rating of these banks is presented below:

	2015	2014
Bank deposits:	34 638	25 624
Amounts in NOK 1 000	**2015**	**2014**
No external credit rating	0 0	0 0
A	34 638	25 624
AA	0 0	0 0
Total	**34 638**	**25 624**

(d) Financial risk factors

See note 3 for financial risk factors and risk management, sensitivity analysis and capital management.

NOTE 20

Leases

The company has no finance leases.

The company has entered into operating leases for office premises, cars, machinery and office furniture.

The leases are cancellable and do not impose any restrictions on the company's dividend policy or financing opportunities.

Lease costs consist of ordinary lease payments and include:

Amounts in NOK 1 000	**2015**	**2014**
Lease office premises (inclusive joint costs)	11 349	6 085
Lease machinery and office furniture	3	21
Lease cars	45	197
Sublease office premises	(563)	(650)
Total lease costs	**10 834**	**5 653**

Future minimum rents related to non-cancellable leases and subleases fall due as follows:

Amounts in NOK 1 000	**2015**	**2014**
Within 1 year	**2 144**	**4 340**
1 to 5 years	3 838	12 693
After 5 years	0 0	5 663
Total	**5 982**	**22 696**

NOTE 21

Pension

See note 21 in the consolidated financial statements.

NOTE 22

Loan from subsidiary

Amounts in NOK 1 000	**2015**	**2014**
Loan from subsidiary 4sea energy AS	5 035	76 920
Total	**5 035**	**76 920**

Dividend from subsidiary in 2015 of NOK NOK 76,71 million has been settled against the loan from subsidiary, and the remaining loan balance at 31 December 2015 is incurred interest.

NOTE 23

Gain from sales of licences

See note 22 in the consolidated financial statements.

NOTE 24

Shares in licenses and obligations

See note 25 in the consolidated financial statements.

NOTE 25

Convertible loans

See note 23 in the consolidated financial statements.

NOTE 26

Available for sale investments

See note 26 in the consolidated financial statements.

NOTE 27

Contingent liabilities

As of 31.12.2015 North Energy is involved in a legal dispute with the former CEO of the Company over the validity of the resignation, severance payment and pension obligations. The outcome of this claim is not yet known. According to the company's judgement, a positive outcome for the company is considered more likely than not, hence there is no contingent liability recorded in the balance sheet at year end for this dispute. The company's total exposure varies from an income of NOK 2.6 million if the company wins the case to a maximum loss of around NOK 13 million if the company loses the case. The loss includes a severance payment of 2 years' salary, in addition to increased pension obligations.

NOTE 28

Events after the balance sheet date

See note 27 in the consolidated financial statements.

Responsibility statement by the Board of Directors and CEO

We declare, to the best of our judgement, that the annual financial statements for the period from 1 January to 31 December 2015 have been prepared in accordance with the applicable accounting standards, and that the information in the accounts fairly reflects the Company's and Group's assets, liabilities, financial position and results as a whole.

We also declare that the Directors' report provides a true and fair view of the Company's and Group's performance, results and position, along with a description of the most important risk and uncertainty factors facing the Company and Group.

Oslo, 30 March 2016

Anders Onarheim, Chair	Jogeir Romestrand, Director	Elin Karfjell, Director	Johan Terje Bjerka, Director	Knut Sæberg, CEO

Shareholder information

North Energy is listed on the Axess marketplace on Oslo Stock Exchange (Oslo Børs). The Company has one share class and each share carries one vote at the general meetings.

Top 20 shareholder list:

Name	No. of shares	% of total shares
AB INVESTMENT AS	10 578 274	8,89
CITIBANK, N.A. S/A BARCLAYS BANK PL	9 000 000	7,56
ISFJORDEN AS	8 570 651	7,20
BNY MELLON SA/NV BNYM SA/NV ELLIOTT I	6 130 000	5,15
Rex International Ho	6 000 000	5,04
THE NORTHERN TRUST C USL EXEMPT CL AC	5 655 820	4,75
VERDIPAPIRFONDET KLP	4 636 928	3,90
JPB AS	3 450 000	2,90
THE LIVERPOOL LP BNY MELLON SA/NV	3 405 000	2,86
KOMMUNAL LANDSPENSJO	3 008 328	2,53
DnB NOR MARKETS, AKS DNB Bank ASA	3 000 000	2,52
SKS EIENDOM AS	2 624 920	2,20
STATE STREET BANK AN A/C CLIENT OMNIBUS A	2 574 297	2,16
NORWEGIAN ENERGY COM	2 550 000	2,14
Goldman Sachs & Co E GOLDMAN SACHS & CO -	2 461 423	2,07
EUROCLEAR BANK S.A./ 25% CLIENTS	2 380 340	2,00
Pension Fund Associa BROWN BROTHERS HARRI	1 804 005	1,52
MP PENSJON PK	1 443 000	1,21
ORIGO KAPITAL AS	1 343 569	1,13
RBC Investor Service CLIENT TREATY ACCOUN	1 269 650	1,07

In 2015, the North Energy share fell 66 per cent, mirroring the continued adverse market conditions within oil and gas. In comparison, an investment in the Oslo Børs Benchmark Index over the same period provided a positive return of 6 per cent.

During the year 31.5 million shares changed hands on the Oslo Stock Exchange, with a daily trading average of approximately 126 000 shares.

Ownership structure

At the end of 2015, North Energy had 971 share-holders, and approximately 39 per cent of the Company's shares were owned by foreign investors. This is a decrease of 4 percentage points from 2014.

The Company's employees, management and Board held at year end approximately 7 per cent of the shares in the Company.

Share capital

North Energy's share capital at 31 December 2015 was NOK 119.047.065 divided into 119.047.065 shares, each with a nominal value of NOK 1.

Auditors' report

Auditors' report

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To the Annual Shareholders' Meeting of North Energy ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of North Energy ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director 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 practices 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 and 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 are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group North Energy ASA as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance

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 and in the statements on Corporate Governance concerning the financial statements, the going concern assumption and the proposal for 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 management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 30 March 2016
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant (Norway)

North Energy ASA - Financial Calendar for 2016

North Energy ASA will present its financial statements on the following dates in 2016:

Q1 2016 interim financial report: 12 May
Q2 2016 interim financial report: 1 September
Q3 2016 interim financial report: 10 November

Time and venue will be communicated at a later date. All dates are subject to change.

The Annual General Meeting is expected to be held on 2 June 2016.

North Energy ASA
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Visiting address: Tjuvholmen allé 3, 0252 Oslo