# Prospectus

# North Energy ASA

(a public limited liability company organised under the laws of Norway)

Organisation number 891 797 702

Listing on the Oslo Axess of 71,250,000 New Shares issued in the Private Placement completed on 20 February 2014 at a subscription price of NOK 4.00 per New Share

Joint Lead Managers

6 March 2014

# IMPORTANT NOTICE

For the definitions of terms used throughout this Prospectus, see Section 15 “Definitions and Glossary” of this Prospectus.

This Prospectus has been issued by the Company in connection with the Listing on the Oslo Axess of 71,250,000 New Shares issued in the Private Placement at a subscription price of NOK 4.00 per New Share.

The Company has furnished the information in this Prospectus. This Prospectus has been prepared in compliance with the Norwegian Securities Trading Act Chapter 7 and related legislation including the Prospectus Directive, which means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU (the "2010 PD Amending Directive"), to the extent implemented in each Relevant Member State), and any relevant implementing measure in the Relevant Member State. The Prospectus has been prepared solely in the English language. The Norwegian Financial Supervisory Authority (the "Norwegian FSA") has reviewed and approved this Prospectus in accordance with the Norwegian Securities Trading Act Sections 7-7 and 7-8. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information included in this Prospectus. The approval by the Norwegian FSA only relates to the information included in accordance with pre-defined disclosure requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described, or referred to, in this Prospectus.

The information contained herein is only updated as of the date hereof and subject to change, completion or amendment without notice.

All inquiries relating to this Prospectus, the Private Placement and the Listing should be directed to the Company or the Managers. No other person has been authorised to give any information, or make any representation on behalf of, the Company in connection with the Listing and the Private Placement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Company or the Managers.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each reader of this Prospectus should consult with its own legal, business or tax advisor as to legal, business or tax aspects of an investment in the shares issued by the Company. If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

In the ordinary course of their respective businesses, the Managers and certain of their affiliates have engaged, and may in the future engage, in investment banking and commercial banking transactions with the Company.

This Prospectus is subject to Norwegian law, unless otherwise indicated herein. Any dispute arising in respect of the Private Placement, the Listing or this Prospectus is subject to the exclusive jurisdiction of the Norwegian courts. This Prospectus has not been approved or recommended by any United States federal or state securities commission or regulatory authority nor have such entities confirmed its accuracy or adequacy. Any representation to the contrary is a criminal offence.

**Table of contents**

# 1 SUMMARY

*Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Although an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".*

| **Section A – Introduction and warnings** | | |
|---|---|---|
| **A.1** | **Introduction and warnings** | This summary should be read as an introduction to the Prospectus.<br>Any decision to invest in the New Shares should be based on consideration of the Prospectus as a whole by the investor.<br>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant European Union member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.<br>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities. |
| **A.2** | **Consent to the use of the prospectus by financial intermediaries** | Not applicable; no consent is granted by the Company to the use of the Prospectus for subsequent resale or final placement of the Shares. |

| **Section B – Issuer and any guarantor** | | |
|---|---|---|
| **B.1** | **Legal and commercial name** | North Energy ASA (the "Company" or "North Energy"). |
| **B.2** | **Domicile/Legal form/ Legislation/ Country of incorporation** | The Company is a public limited liability company incorporated and registered in Norway under the Public Limited Companies Act with business organisation number 891 797 702. |
| **B.3** | **Key factors of operations and principal activities** | During its first year of operation, North Energy qualified as a license holder on the Norwegian Continental Shelf ("NCS"). The Company was prequalified as operator and was awarded interests in licenses in the Barents Sea and the Norwegian Sea. The time it took for the company to qualify as operator is recognized as the shortest on the NCS. Being awarded an operatorship immediately following its qualification is also evidence of |

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| | | North Energy's standing and potential as an independent oil company in northern Norway.<br><br>To develop North Energy as a sustainable oil company in the short and long term, the Company seeks to acquire a balanced portfolio of exploration assets. In the short term, the Company actively pursues acreage that will secure oil discoveries close to existing infrastructure with short lead-time to development and production and limited capital expenditure. In the longer term, the focus will be to secure a reserves base that will make the Company grow and become a major player on the NCS in general and in the Barents Sea in particular.<br><br>In order to meet these goals the Company has taken on a new exploration tool based on seismic low frequency resonance response, in order to maximize the rate of success. During a cooperation agreement between North Energy and the technology company Rex Technology Management Ltd, their resonance technology called Rex Virtual Drilling ("RVD") has been tested on numerous prospects on the Norwegian shelf. The technology identifies oil directly in the reservoirs. The algorithms behind the RVD technology are patented but North Energy has run a series of blind-tests, pre and post drilling, from different areas on the Norwegian shelf, with the aim of verifying the technology as a valuable screening tool. The blind test provided very encouraging results. The RVD technology will, in the future, be a standard tool in the internal license G&G work programs.<br><br>A technology partnership with EMGS ASA ("EMGS") in the Barents Sea with acquisition of EMGS's entire Barents Sea EM data library of more than 30.000 $km^2$ of data will make EM an integral part of North Energy's exploration strategy. EM is a powerful tool for scanning and de-risking prospects in shallow hydrocarbon basins such as the Barents Sea. The technology is proven effective in the Barents Sea with positive indications in discoveries like Havis, Snøhvit, Skrugaard, Norvarg and most recently on the Wisting Central wildcat. Five of eight North Energy licenses in the Barents Sea are covered by the EMGS EM library.<br><br>North Energy has so far participated in 11 exploration wells and is currently participating in exploring 28 production licenses (of which 6 are pending governmental approval) in the North Sea, the Norwegian Sea and the Barents Sea.<br><br>Out of 11 exploration wells, North Energy has made 2 gas discoveries. PL 433 Fogelberg was a gas condensate discovery in the Norwegian Sea, which was sold to Centrica Norway in 2012. The second gas discovery, PL 535 Norvarg, was discovered in the Barents Sea in 2011. An appraisal well of PL 535 Norwas was drilled in 2013. The results from the appraisal wells are still under evaluation by the license partnership.<br><br>The Company is a pure exploration company participating currently only in the exploration phase.<br><br>The Company does not have current oil or gas production, no production income or any assets which are in the development phase or construction phase. The Company does not have any liabilities relating to decommissioning. The license portfolio does not contain any reserves or resources. The Company expects that it will need several years until it reaches oil production phase, considering that it currently does not have any oil discoveries in its license portfolio. |
| **B.4a** | **Significant recent trends affecting the Issuer and the industry in which it operates** | • As of year-end 2012, the Norwegian Petroleum Directorate estimates in its annual resource accounts, that the total recoverable resources on the NCS are approximately 85.5 bboe. Out of this, approximately 37.5 bboe have been produced.<br><br>• 2012 oil production was almost five per cent lower than the Norwegian Petroleum Directorate's autumn 2011 estimate. Two main reasons explain the discrepancy: |

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| | | delayed production start-up for some fields, as well as some prolonged unplanned shutdowns of producing fields due to repairs and tie-in of new facilities.<br><br>• The number of wildcats (oil wells in an unexplored area) and appraisal wells being drilled on NCS were historically low until 2005, but started to increase thereafter, due to the Norwegian government's ambition to increase drilling on the NCS. The number of spudded exploration wells reached a record high of 65 wells in 2009. In 2012 42 wildcat wells were commenced.<br><br>• Among the measures taken by the Norwegian government to stimulate increased exploration are (i) a more flexible and effective exploration policy (i.e. increasing acreage available for exploration and increasing the number of licenses awarded), (ii) increasing the number of companies on the NCS, and (iii) tax incentives to encourage companies to increase the exploration activity.<br><br>• An increasing number of players are building up acreage positions in the Norwegian Sea and the Barents Sea. In the 22nd licensing round most of the large players on the NCS applied for acreage in these areas, hereof 5 out of 7 Super Majors, 9 out of 9 Utilities and 12 out of 15 Large- & Mid-Caps. 29 companies were awarded licenses out of the 36 companies that applied. |
| **B.5** | **Description of group** | The Company is the parent company of the North Energy Group. The Company has one wholly owned subsidiary; 4sea Energy AS. |
| **B.6** | **Notifiable voting rights** | As of the date of this Prospectus, to the knowledge of the Company, the following beneficial shareholders own more than 5 per cent of the Company's share capital:<br>• Taube, Hudson and Stonex Partners LLP owns 13.9% of the share capital<br>• Elliott International Capital Advisors Inc. owns 10.6% of the share capital<br>• Rex International Holding and Rex Technology Management own 13.4% of the share capital<br>• Odin Offshore owns 7.8% of the share capital<br>• Isfjorden AS owns 7.6% of the share capital<br>As far as the Company is aware of, there is no other natural or legal person other than the above mentioned, which directly or indirectly has a shareholding in the Company above 5 per cent which is noticeable under Norwegian Law. Shareholders with ownership exceeding 5 per cent must comply with disclosure obligations according to the Norwegian Securities Trading Act section 4-2. |
| | **Different voting rights** | The Shares are equal in all respects and there are no differences in voting rights. |
| | **Control** | To the knowledge of the Company, the Company is not, for purposes of Norwegian law, directly or indirectly, controlled by another corporation or by any government. |
| **B.7** | **Selected historical key financial information** | The selected condensed financial information set forth in this Prospectus should be read in conjunction with the relevant financial statements and the notes to those statements which can be found on the Company's webpage, www.northenergy.no.<br>The selected financial data presented in this section has been derived from the audited |

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| | | consolidated historical statements and audit reports for the accounting years ending 31 December 2010, 2011 and 2012, and the unaudited quarterly reports for Q4 2012 and 2013. |

**Consolidated Income Statement**

| (Figures in `000 NOK) | **Q4 2013 unaudited** | **Q4 2012 unaudited** | **Year 2013 unaudited** | **Year 2012** audited | **Year 2011** audited | **Year 2010** audited |
|---|---|---|---|---|---|---|
| Revenues | 546 | 0 | 98,576 | 46,931 | 0 | 0 |
| Payroll and related cost | (10,820) | (11,496) | (51,029) | (56,774) | (70,949) | (62,149) |
| Depreciation and amortisation | (2,292) | (2,554) | (8,880) | (10,183) | (7,179) | (4,593) |
| Exploration expenses | (486,456) | (257,070) | (696,551) | (540,143) | (340,154) | (179,049) |
| Other operating expenses | (8,029) | (11,874) | (33,419) | (41,074) | (40,004) | (43,445) |
| **Operating profit (loss)** | **(489,051)** | **(282,994)** | **(691,302)** | **(601,243)** | **(458,286)** | **(289,236)** |
| Net financial items | (7,138) | (5,394) | (25,044) | (21,939) | (13,493) | 4,724 |
| **Profit (loss) before tax** | **(496,189)** | **(288,388)** | **(716,346)** | **(623,183)** | **(471,780)** | **(284,512)** |
| Income tax (charge) credit | 383,942 | 228,794 | 566,682 | 511,664 | 361,224 | 221,596 |
| **Profit (loss) for the period** | **(112,247)** | **(59,594)** | **(149,664)** | **(111,519)** | **(110,556)** | **(62,916)** |
| Earnings (loss) per share (NOK): | | | | | | |
| - Basic | (2.75) | (1.46) | (3.67) | (2,94) | (4,39) | (2,67) |
| - Diluted | (2.75) | (1.46) | (3.67) | (2,94) | (4,39) | (2,67) |
| Dividend per share | 0 | 0 | 0 | 0 | 0 | 0 |

**Consolidated Balance Sheet**

| (Figures in `000 NOK) | 31 Dec 2013 unaudited | 31 Dec 2012 audited | 31 Dec 2011 audited | 31 Dec 2010 audited |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 9,165 | 15,754 | 22,072 | 16,167 |
| Capitalized exploration and license cost | 17,496 | 268,839 | 376,719 | 128,214 |
| Long term receivables and other prepayments | 17,503 | 19,599 | 19,765 | 17,528 |
| Deferred tax asset | 101,568 | 0 | 0 | 0 |
| **Total non-current assets** | **145,732** | **304,192** | **418,556** | **161,909** |
| **Current assets** | | | | |
| Prepayments and other receivables | 16,312 | 35,637 | 54,854 | 37,926 |
| Tax receivables from refund | 352,220 | 505,011 | 553 550 | 347,532 |
| Financial asset | 0 | 0 | 0 | 4,674 |
| Cash and cash equivalents | 15,024 | 28,496 | 34,026 | 86,015 |
| **Total current assets** | **383,556** | **569,144** | **642,610** | **476,147** |
| | | | | |
| **Total assets** | **529,289** | **873,336** | **1,061,167** | **638,056** |
| | | | | |
| **Equity** | | | | |
| Paid in capital | 810,770 | 810,770 | 660,936 | 660,861 |
| Retained earnings | (550,201) | (400,843) | (291,159) | (180,685) |
| **Total equity** | **260,570** | **409,928** | **369,777** | **480,176** |
| **Non-current liabilities** | | | | |
| Pension liabilities | 14,012 | 13,254 | 18,766 | 15,346 |
| Convertible loans | 40,697 | 0 | 0 | 0 |
| Deferred tax | 0 | 111,829 | 202,225 | 45,791 |
| **Total non-current liabilities** | **54,708** | **125,083** | **220,991** | **61,137** |
| **Current liabilities** | | | | |
| Current borrowings | 164,989 | 215,552 | 348,348 | 0 |
| Trade creditors | 8,101 | 44,070 | 66,108 | 47,185 |
| Other short-term liabilities | 40,920 | 78,703 | 55,943 | 49,559 |
| **Total current liabilities** | **214,011** | **338,325** | **470,399** | **96,743** |
| | | | | |
| **Total equity and liabilities** | **529,289** | **873,336** | **1,061,167** | **638,056** |

**Consolidated Cash-flow statement**

| (Figures in `000 NOK) | **Q4 2013 unaudited** | **Q4 2012 unaudited** | **Year 2013 unaudited** | **Year 2012** audited | **Year 2011** audited | **Year 2010** audited |
|---|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | | |
| Profit/loss before tax | (496,189) | (288,388) | (716,346) | (623,183) | (471,780) | (284,512) |
| Adjustments: | | | | | | |
| Tax income | 505,192 | 553,523 | 505,192 | 553,523 | 341,251 | 160,727 |
| Depreciation | 2,292 | 2,554 | 8,880 | 10,183 | 7,179 | 4,593 |
| Gain from sales of licenses | (546) | 0 | (98,576) | (46,931) | 0 | 0 |
| Impairment capitalised exploration expenses | 431,361 | 189,615 | 502,665 | 332,394 | 58,960 | 52,016 |
| Pensions | 2,134 | (1,739) | (845) | (706) | 925 | 2,778 |
| Expensed share-based payment recognised in equity | 0 | 0 | 0 | 0 | 0 | 2,571 |
| Transaction costs and interest on borrowings recognised in P&L | 9,091 | 7,657 | 30,831 | 33,383 | 20,068 | 1,352 |
| Changes in trade creditors, debtors and accruals | (12,052) | 78,812 | (44,689) | 19,259 | 12,560 | 29,727 |
| Cash flow from operating activities | 440,861 | 542,033 | 186,678 | 277,921 | (30,837) | (30,748) |
| **Cash flow from investing activities** | | | | | | |
| Purchase of equipment | (1,878) | (735) | (2,292) | (3,865) | (13,011) | (7,076) |
| Proceeds from sales of licenses | 31,769 | 0 | 86,770 | 73,237 | 0 | 0 |
| Purchase of intangible assets | (10,742) | (183,513) | (251,547) | (337,758) | (337,440) | (232,372) |
| Acquisition of subsidiary, net cash flow | 0 | 0 | 0 | 0 | 0 | 30,931 |
| Changes in other non-current receivables | 62 | 3,207 | 5,091 | 3,703 | 631 | (5,520) |
| Cash flow from investing activities | 19,210 | (181,041) | (161,978) | (264,684) | (349,819) | (214,038) |
| **Cash flow from financing activities** | | | | | | |
| Increase in short term and long term loans, transaction cost and interest | (460,737) | (358,787) | (38,172) | (166,428) | 328,773 | (45,000) |
| Issue of shares and warrant shares | 0 | 0 | 0 | 147,480 | 75 | 331,481 |
| Cash flow from financing activities | (460,737) | (358,787) | (38,172) | (18,948) | 328,848 | 286,481 |
| **Net change in cash and cash equivalents** | **(665)** | **2,205** | **(13,472)** | **(5,710)** | **(51,809)** | **40,344** |
| Cash and cash equivalents at beginning of the period | 15,689 | 26,291 | 28,496 | 34,206 | 86,015 | 45,671 |
| **Cash and cash equivalents at end of the period** | **15,024** | **28,496** | **15,024** | **28,496** | **34,206** | **86,015** |

**Consolidated Statement of Changes in Equity**

| (Figures in `000 NOK) | Share capital | Share premium account | Other paid-in capital | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Equity at 31 December 2009** | **9,201** | **233,573** | **26,999** | **(116,837)** | **152,935** |
| Shares issued | 15,949 | 390,663 | 0 | 0 | 406,612 |
| Shares issued expenses (net after tax) | | (18,095) | 0 | 0 | (18,095) |
| Share-based payment, bonus shares | | | 2,571 | 0 | 2,571 |
| Total result for 2010 | | | | (63,848) | (63,848) |
| **Equity at 31 December 2010** | **25 150** | **606 141** | **29,570** | **(180,685)** | **480,176** |
| Shares issued | 75 | 0 | 0 | 0 | 75 |
| Total result for 2011 | | | | (110,474) | (110,474) |
| **Equity at 31 December 2011** | **25,224** | **606,141** | **29,570** | **(291,159)** | **369,777** |
| Shares issued | 15,589 | 140,301 | 0 | 0 | 155,891 |
| Shares issued expenses (net after tax) | | | | | (6,056) |
| Total result for 2012 | | | | (109,684) | (109,684) |
| **Equity at 31 December 2012** | **40,813** | **740,387** | **29,570** | **(400,843)** | **409,928** |
| Total result for 2013 (unaudited) | | | | (149,358) | (149,358) |
| **Equity at 31 December 2013 (unaudited)** | **40,813** | **740,387** | **29,570** | **(550,201)** | **260,570** |

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| **B.8** | **Pro forma financial information** | Not applicable. There is no pro forma financial information. |
| **B.9** | **Profit forecast or estimate** | Not applicable. No profit forecast or estimate is made. |
| **B.10** | **Audit report qualifications** | Not applicable. There are no qualifications in the audit reports. |
| **B.11** | **Working Capital** | As of the date of this Prospectus, the Company is of the opinion that the Group's working capital is sufficient for its present requirements and, in particular, is sufficient for at least the next twelve months from the date of this Prospectus. |

| **Section C – Securities** | | |
|---|---|---|
| **C.1** | **Description the type and the class of the securities and the security identification code** | The Private Placement comprises a total of 71,250,000 New Shares.<br><br>There is one class of Shares only. All Shares are fully paid. The Shares are equal in all respects, and each Share carries one vote at the Company's general meeting.<br><br>The New Shares issued in the Private Placement are currently registered in the VPS on a temporary ISIN NO 0010704299 pending approval of this listing Prospectus. Following the publishing of this Prospectus the New Shares will be transferred to the Company's ordinary ISIN NO 0010550056. |

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| **C.2** | **Currency** | NOK |
| **C.3** | **Number of issued shares and par value** | As at the date of this Prospectus, the registered share capital of the Company is NOK 112,063,448, consisting of 112,063,448 Shares, each with a par value of NOK 1.00. All Shares are fully paid. |
| **C.4** | **Rights attached to the shares** | The New Shares issued in the Private Placement are ordinary Shares in the Company, each having a nominal value of NOK 1. The New Shares have in all respects equivalent rights to all other issued Shares in the Company. The New Shares have the same voting rights and other rights and obligations which are standard under the Norwegian Public Limited Companies Act, and are governed by Norwegian law. |
| **C.5** | **Restriction on the free transferability of the shares** | Not applicable. The Shares in the Company are freely transferable. |
| **C.6** | **Application for admission to trading on a regulated market** | Not applicable. The Company's existing Shares are currently listed and trading on Oslo Axess, and following approval and publishing of this Prospectus the New Shares will automatically be transferred to ISIN NO 0010550056 and listed on the Oslo Axess without filing of any application. |
| **C.7** | **Dividend policy** | The need for capital to further develop North Energy implies a restrictive dividend policy going forward. The Company expects that it will not pay any dividend to its shareholders in the near future. The Shares have equal rights to the Company's profits unless otherwise approved by all shareholders. |

| Section D – Risks | | |
|---|---|---|
| **D.1** | **Key risks relating to the issuer and its business** | • North Energy's success depends on its ability to appraise, find, acquire, develop and produce oil and gas reserves that are economically recoverable.<br>• Uncertainty of estimated and reported contingent and prospective resources.<br>• Risks related to seismic data.<br>• North Energy's operations depend on political, economic and administrative policies adopted by the Norwegian State.<br>• Exploration projects do not necessarily result in a profit on the investment or the recovery of costs.<br>• Resources information represents the Company's estimates which may be inaccurate or incorrect.<br>• North Energy may miss out on exploration opportunities if it is unable to successfully co-ordinate its exploration projects.<br>• North Energy cannot accurately predict its future decommissioning liabilities.<br>• Substantial investments are required.<br>• Risks relating to the price of oil and gas.<br>• Exchange rate risks.<br>• Political and regulatory risks related to the fiscal regime for petroleum.<br>• Health, Safety and Environmental (HSE) risks.<br>• The industry in which the Company operates is highly competitive.<br>• North Energy relies on third parties.<br>• Risk of joint and several liabilities with its license partners.<br>• North Energy holds a number of licenses in their initial terms.<br>• North Energy is dependent on attracting and retaining key personnel.<br>• Risks associated with labour disputes.<br>• Risk of damaged equipment and insurance policies.<br>• Dependence on oil field services providers.<br>• Risk associated with the global financial crisis.<br>• Financial liquidity risk.<br>• Interest rate risks.<br>• Risk attached with financing of exploration costs. |

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| **D.3** | **Key risks relating to the shares** | • The price of the Shares may fluctuate significantly.<br><br>• The Company cannot assure any investors that a liquid trading market for the Shares will be created or sustained through the Listing. The Company has not entered into any market-maker or liquidity agreement.<br><br>• Shareholders in Norwegian public limited liability companies such as the Company have pre-emptive rights to subscribe for new shares proportionate to the aggregate amount of the shares they hold. Such pre-emptive rights may be set aside by the shareholders meeting, which could result in existing shareholders being diluted as a result of the share issue.<br><br>• Investors in the United States may have difficulty enforcing any judgment obtained in the United States against the Company, its affiliates or its directors or executive officers in Norway.<br><br>• Additional risk for holders of the Company's Shares that are registered in a nominee account.<br><br>• The transfer of Shares is subject to restrictions in certain jurisdictions.<br><br>• Limitations to make claims against the Company. |

| **Section E – The Private Placement** | | |
|---|---|---|
| **E.1** | **Net proceeds**<br><br>**Total expenses** | The net proceeds of the Private Placement are estimated to amount to approximately NOK 272,500,000.<br><br>The total expenses of the Private Placement are estimated to amount to approximately NOK 12,500,000 of which NOK 11,200,000 are fees to the Managers. |
| **E.2a** | **Reasons for the Private Placement**<br><br>**Use of proceeds**<br><br>**Net amount of the proceeds** | North Energy announced on 20 January 2014 a stronger focus on the Barents Sea. The strategy is supported by North Energy's unique position in northern Norway coupled with an adaptation of technologies particularly well suited in the Barents Sea, namely Electromagnetic surveys (EM) and Virtual Drilling (VD). The Private Placement has been carried out to support these plans.<br><br>The proceeds will be used to strengthen the Company's equity to fund drilling of 8 - 12 wells over the coming years.<br><br>The net proceeds of the Private Placement are estimated to amount to approximately NOK 272,500,000. |

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| **E.3** | **Terms and conditions of the Private Placement** | The Subscription Price per New Share in the Private Placement was set by the Board of Directors to NOK 4 per Share, raising total gross proceeds of NOK 285 million. The reason for completing the Private Placement at a premium of 7% compared to the closing trading price the day prior to the Private Placement was announced, was that sufficient applications were made to subscribe for the New Shares at such premium.<br><br>The New Shares in the Private Placement was placed with a minimum subscription amount equal to EUR 100,000 (no maximum subscription), with due regard to applicable prospectus requirements and in accordance with applicable laws and regulations. The application period for the Private Placement ended on 20 January 2014 at 21:00 hours CET.<br><br>Allocation of the New Shares, conditional on subsequent shareholder approval, was made by the Board of Directors in consultation with the Managers following close of the application period. Notifications of conditional allotment and payment instructions for the New Shares in the Private Placement were sent to the applicants on 20 January 2014 through a notification issued by the Managers.<br><br>Payment for the New Shares was made on 17 February 2014. Registration of the share capital increase in the Register of Business Enterprises was made on 20 February 2014 and delivery of the New Shares on 20 February 2014.<br><br>The Company has published information in respect of the Private Placement through Oslo Børs' electronic information system on 21 January 2014.<br><br>The completion of the Private Placement was subject to the approval of the Private Placement by the extraordinary general meeting of the Company held on 13 February 2014 and the approval of the issuance of a convertible loan to EMGS ASA by the extraordinary general meeting of the Company held on 13 February 2014. The conditions were fulfilled on 13 February 2014.<br><br>The application period in the Private Placement has been completed and the Private Placement may no longer be revoked, suspended, reduced or withdrawn. The New Shares issued in connection with the Private Placement have been issued in accordance with the resolution passed at the extraordinary general meeting of the Company held on 13 February 2014.<br><br>Following the completion of the Private Placement, the total number of issued Shares in the Company are 112,063,448 each with a nominal value of NOK 1. |
| **E.4** | **Interests material to the offer** | The Managers and their affiliates have provided from time to time, and will provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own existing Shares in the Company. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.<br><br>The Managers will receive a success fee of a fixed percentage of the gross proceeds raised in the Private Placement. For Carnegie AS, the success fee will amount to NOK 2,726,000 in cash and 1,062,500 Shares in the Company. For Pareto Securities AS, the success fee will amount to NOK 4,240,000. As such, the Managers have an interest in the Private Placement. Moreover, the following allocations were made to investors which were allocated more than 5% of the New Shares issued in the Private Placement and to any large shareholders, members of the Company's management, Board, supervisory or administrative bodies:<br><br>• Taube Hodson Stonex Partners LLP were allocated 12,500,000 New Shares in the Private Placement |

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| | | • JPB AS, in which Chairman Johan Petter Barlindhaug owns 60% of the shares, were allocated 500,000 New Shares in the Private Placement<br>• Elliott International Capital Advisors Inc. were allocated 7,500,000 New Shares in the Private Placement<br>• SKS Eiendom AS were allocated 250,000 New Shares in the Private Placement<br>• EMGS ASA were allocated 5,000,000 New Shares in the Private Placement<br>• Sundt AS were allocated 3,750,000 New Shares in the Private Placement<br>• Isfjorden AS were allocated 7,000,000 New Shares in the Private Placement<br>• Jogeir Romestrand, member of the Board in North Energy, was allocated 250,000 New Shares in the Private Placement<br>• Rex Technology Management Ltd. were allocated 9,000,000 New Shares in the Private Placement<br>• Rex International Holding Ltd. were allocated 6,000,000 New Shares in the Private Placement<br>• Odin Offshore were allocated 8,750,000 New Shares in the Private Placement<br><br>Other than what is set out above in this section, there are no other interests (including conflict of interests) of natural and legal persons involved in the Private Placement. |
| **E.5** | **Selling entity and lock-up agreements** | No lock-up agreements were entered into in connection with the Private Placement. |
| **E.6** | **Dilution** | The Private Placement will result in a dilution of 63% for the existing shareholders that did not participate in the Private Placement. |
| **E.7** | **Expenses charged to the investor** | Not applicable. The expenses related to the Private Placement will be paid by the Company. |

# 2 RISK FACTORS

## 2.1 General

Investing in North Energy involves inherent risks. Prospective investors should consider, among other things, the risk factors set out in this Prospectus before making an investment decision. This section describes the material risk factors known to the Company at the date of this Prospectus. If any of the risks actually materialise, North Energy's business, financial position and operating results could be materially adversely affected.

A prospective investor should consider carefully the factors set out below, as well as the information provided elsewhere in the Prospectus, including the documents incorporated hereto by reference, and should consult his or her own expert advisors as to the suitability of an investment in the Shares.

An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or part of the investment.

## 2.2 Risk factors relating to North Energy, the general market and the industry in which the Company operates

**North Energy's success depends on its ability to appraise, find, acquire, develop and produce oil and gas reserves that are economically recoverable**

North Energy's long-term commercial success depends on its ability to appraise, find, acquire, develop and commercially produce oil and gas reserves. North Energy must continually locate and develop or acquire new reserves to replace its existing licenses. In the future, North Energy's reserves will depend not only on its ability to explore and develop its existing properties but also on its ability to select and acquire suitable additional properties either through awards at licensing rounds or through acquisitions. There are many reasons why North Energy may not be able to find or acquire oil and gas reserves or develop them for commercially viable production. For example, North Energy may be unable to negotiate commercially reasonable terms for its acquisition, exploration, development or production activities. Factors such as adverse weather conditions, natural disasters, equipment or services shortages, procurement delays or difficulties arising from the political, environmental and other conditions in the areas where the reserves are located or through which North Energy's products are transported may increase costs and make it uneconomical to develop potential reserves. Moreover, North Energy is dependent on the competence and judgment of third-party operators in relation to the development of reserves where it is not itself the operator and the decisions made by the license partners within the joint ventures. There is no assurance that North Energy will discover, acquire or develop any commercial quantities of oil and gas. Without successful exploration or acquisition activities, North Energy's reserves, production and revenues will decline, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Uncertainty of estimated and reported contingent and prospective resources**

In this Prospectus, as permitted by the OSE, the standards applied by the Society of Petroleum Engineers ("SPE") are applied with respect to estimates of North Energy's reserves and prospective resources. Such estimates are inevitably uncertain.

Under SPE standards, contingent resources are those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable. The resources may not be considered commercially recoverable for a variety of reasons, including the high costs involved in recovering the resources, the price of oil at the time, the availability of resources and other development plans that may be in place. By contrast, prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

Estimates of contingent and prospective resources are uncertain and can change with time and there can be no guarantee that it is possible to develop these resources commercially, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Risk related to seismic data**

North Energy's major data source for evaluating exploration licenses is seismic data. There are several sources of risks involved in the evaluation process related to seismic data. Being highly dependent on seismic data while selecting drilling locations, poor seismic data may provide incorrect maps and may further lead to the drilling of dry wells. North Energy is therefore investing significantly in high quality seismic data and the necessary tools needed to provide good interpretations.

Seismic data sets of the necessary quality may not be available for North Energy when applying for licenses, and further studies after the award of a license may reveal that the interpretations at the time of application were too positive. The license might therefore be relinquished without a drilling decision. Another challenge is that seismic data may be collected and/or analyzed too late in order to evaluate a license before expiry. In some cases, North Energy may be voted in by the license partnership to participate in an expensive seismic work program where North Energy finds the seismic unnecessary. Should any of the abovementioned risks materialize, North Energy's business, financial condition, operating results and/or cash flow could be materially affected.

**North Energy's operations depend on political, economic and administrative policies adopted by the Norwegian State**

The Norwegian State plays an active role in the management of the petroleum resources on the Norwegian continental shelf the ("NCS"). The Norwegian State participates directly in the petroleum activities through the State's Direct Financial Interest (the "SDFI") and may in such production licenses direct the actions of the joint venture in specific circumstances. In addition, the State influences the activities through the regulatory framework, including tax and environmental laws and regulations, and through the award of licenses and the approval of e.g. exploration and development projects, gas sales contracts and applications for production rates for individual fields.

In order to conduct its operations in compliance with applicable laws and regulations, North Energy must obtain licenses and permits from various government authorities. North Energy may incur substantial costs in order to maintain compliance with these existing laws and regulations and additional costs if these laws are revised or if new laws affecting North Energy's operations are passed. Furthermore, there can be no assurance that North Energy will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and production operations on its properties.

North Energy regularly applies for licenses to be granted by the Ministry of Petroleum and Energy (the "MPE"). Although the Company in the past has been successful in its application for such licenses, no assurances can be given that the Company will be awarded attractive licenses in the future, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Exploration projects do not necessarily result in a profit on the investment or the recovery of costs**

Exploration activities are capital intensive and inherently uncertain in their outcome. North Energy's future oil and gas exploration projects may involve unprofitable efforts, either from dry wells or from wells that are productive but do not produce sufficient net revenues to return a profit after development, operating and other costs. Completion of a well does not guarantee a profit on the investment or recovery of the costs associated with that well. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or adverse geological conditions. While diligent well supervision and effective maintenance operations can contribute to maximising production rates over time, production delays and declines from normal field operating conditions cannot be eliminated, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

North Energy participates in a number of production licenses in the Northern regions of Norway. The infrastructure for processing and transport of petroleum has not yet been developed as far as on other parts of the NCS, and such development will depend on the reserves of oil and gas that the developers of infrastructure believe will be produced. There can be no assurances that further infrastructure investment will be undertaken in the Northern regions, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Resources information represents the Company's estimates which may be inaccurate or incorrect**

The process of estimating oil and gas reserves and the cash flows that may be derived from them is very complex. The reserves and associated cash flow information relating to North Energy set out in this Prospectus represent estimates only. In general, estimates of the quantity and value of economically recoverable oil and gas reserves and the possible future net cash flows are based upon a number of variable factors and assumptions, such as historic production rates, ultimate reserves recovery, interpretation of geological and geophysical data, timing and amount of capital expenditures, marketability of oil and gas, continuity of current fiscal policies and regulatory regimes, future oil and gas prices, operating costs, development and production costs and work-over and remedial costs, all of which may vary from actual results. Estimates are also to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For these reasons, estimates of the economically recoverable oil and gas reserves attributable to a particular group of properties, the classification of such reserves based on risk of recovery and estimates of expected future net revenues prepared by different engineers, or by the same engineers at different times may vary. As a result, the estimates of North Energy's reserves may require substantial upward or downward revisions if subsequent drilling, testing and production reveal differences. Any downward adjustment could indicate lower future production and thus adversely affect North Energy's financial condition, future prospects and market value. Furthermore, a decline in North Energy's reserves may affect its ability to raise or access sufficient capital for its future operations, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

Estimates of proved, probable and possible reserves that may be developed and produced in the future are often not based on actual production history but on volumetric calculations and analogies to similar types of reserves. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based on production history and production practices may result in variations in the estimated reserves and these variations could be material, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**North Energy may miss out on exploration opportunities if it is unable to successfully co-ordinate its exploration projects**

North Energy intends to undertake significant exploration projects on the NCS. These projects require the co-ordination of a number of activities including obtaining seismic data, carrying out subsea surveys, decision-making and required majority decisions within the license joint venture and securing rig capacity for the necessary drilling. In the current high-demand market environment, there are long lead times to arrange these activities. If North Energy fails to successfully co-ordinate the timely delivery or completion, as the case may be, of any of these activities, it may miss out on exploration opportunities or may be required to make additional expenditure, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**North Energy cannot accurately predict its future decommissioning liabilities**

North Energy, through its license interests, is expected to assume additional decommissioning liabilities in respect of its future operations. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of installations, e.g. wells and production facilities, and require North Energy to make provision for and/or underwrite the liabilities relating to such decommissioning. The oil and gas industry currently has little experience of decommissioning petroleum exploration and production infrastructure on the NCS as few such structures have been decommissioned in these regions. It is, therefore, difficult to forecast accurately the costs that North Energy will incur in satisfying its decommissioning obligations. When its decommissioning liabilities crystallise, North Energy will be jointly and severally liable for them with other former or current partners in the field. In the event that other partners default on their obligations, North Energy will remain liable and its decommissioning liabilities could be magnified significantly through such default. Any significant increase in the actual or estimated decommissioning costs that North Energy incurs may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Substantial investment required**

North Energy will be required to make substantial capital expenditure for the acquisition, exploration, development and production of oil and gas reserves in the future. Such capital expenditures could be covered by revenues, new equity or by obtaining new debt. If North Energy fails to gain sufficient revenues, or if the Company is unable to attract investors to increase the Company's equity, or if new debt arrangements and/or capital expenditure financings in general are not accessible, or only on unattractive commercial terms, North Energy will have a limited ability to undertake or complete future exploration programs, maintenance of existing fields, development investments and acquisitions. Limited available capital expenditure will also impact North Energy's ability to maintain existing fields as well as undertake R&D initiatives. North Energy's inability to access sufficient capital for its operations could lead to licenses being revoked, by the MPE, or relinquished, by the Company, or defaulting by the Company under commercial arrangements, including joint venture agreements, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Risks relating to the price of oil and gas**

Historically, oil prices have fluctuated widely for many reasons, including global and regional supply and demand, and expectations regarding future supply and demand for oil and petroleum products; geopolitical uncertainty; access to pipelines, tanker ships and other means of transporting oil, gas and petroleum products; prices, availability and government subsidies of alternative fuels; prices and availability of new technologies; the ability of the members of the Organisation of Petroleum Exporting Countries ("OPEC") and other oil-producing nations to set and maintain specified levels of production and prices; political, economic and military developments in oil producing regions, particularly the Middle East; domestic and foreign governmental regulations and actions, including export restrictions, taxes, repatriations and nationalisations; global and regional economic conditions; and weather conditions and natural disasters. Significant fluctuations may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

In addition, bank borrowings available to North Energy in the future are expected to be in part determined by North Energy's borrowing base. A sustained material decline in prices from historical average prices could reduce North Energy's borrowing base, thereby reducing the bank credit available to North Energy which could result in North Energy having to repay a portion, or all, of its bank debt, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Exchange rate risks**

Currency exchange rate fluctuations and currency devaluations could have a material adverse effect on the Company's results of operations from time to time. To date, the Company has not generated any revenues. The revenue within the market in which the Company operates is mostly generated in US dollars, but it may predominantly incur operating expenses in Norwegian kroner.

**Political and regulatory risks related to the fiscal regime for petroleum**

Changes in the legislative and fiscal framework governing the activities of the companies engaged within the oil and gas sector may have a material impact on exploration and development activity or directly affect the Company's operations. North Energy is faced with increasingly complex tax laws. The amounts of taxes North Energy pays could increase substantially as a result of changes in, or new interpretations of, these laws, which could have a material adverse effect on its liquidity and results of operations. During periods of high profitability, there are often calls for increased or windfall taxes on oil and gas revenue. Taxes have increased or been imposed in the past and may increase or be imposed again in the future. In addition, taxing authorities could review and question North Energy's tax returns leading to additional taxes and penalties which could be material. Decommissioning (where relevant) could also have a material tax impact on North Energy's financial position and results of operations. Further, the complexity of tax laws (as well as contractual covenants) may restrict North Energy from an effective utilisation of tax losses within the Company's different subsidiaries, which in turn may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Health, Safety and Environmental (HSE) risks**

All phases of the oil business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions, EU and national laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation, moreover, is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to relevant governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Company's financial condition, results of operations or prospects. North Energy's operations and assets are affected by numerous international, EU and national laws and regulations concerning health and safety and environmental ("HSE") matters including, but not limited to, those relating to the health and safety of employees, discharges of hazardous substances into the environment and the handling and disposal of waste. The technical requirements of these laws and regulations are becoming increasingly complex, stringently enforced and expensive to comply with and this trend is likely to continue. The failure to comply with current HSE laws and regulations has resulted and may in the future result in regulatory action, the imposition of fines or the payment of compensation to third parties which each in turn could have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

Certain HSE laws that apply to North Energy provide for strict, joint and several liability without regard to negligence or fault for natural resource damages, health and safety, remediation and clean-up costs of spills and other releases of hazardous substances, and such laws may impose liability for personal injury or property damage as a result of exposure to hazardous substances. Further, such HSE laws and regulations may expose North Energy to liability for the conduct of others or for acts that complied with all applicable HSE laws when they were performed. In addition, the enactment of new HSE laws or regulations or stricter enforcement or new interpretations of existing HSE laws or regulations could have a significant impact on North Energy's operating costs and require further expenditure to modify operations, install pollution control equipment, perform clean-up operations, curtail or cease certain operations, or pay fines or make other payments for pollution, discharges or other breach of HSE requirements. There can be no assurances that North Energy will be able to comply with such HSE laws in the future. The failure to comply with such HSE laws or regulations could result in substantial costs and/or liabilities to third parties or government entities, which could have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**The industry in which the Company operates is highly competitive**

The oil and gas industry is highly competitive in all its phases. There is strong competition for acquisition of properties considered to have commercial potential. North Energy competes with other exploration and production companies, many of which include major international oil and gas companies, which may have greater financial resources, staff and facilities than those of North Energy. These companies have strong market power as a result of several factors, including the diversification and reduction of risk, including geological, price and currency risks; increased financial strength facilitating major capital expenditures; greater integration and the exploitation of economies of scale in technology and organisation; strong technical experience; increased infrastructure and reserves; and strong brand recognition. Due to this competitive environment, North Energy may be unable to acquire attractive suitable properties or prospects on terms that it considers acceptable. As a result, North Energy's revenues may decline over time, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**North Energy relies on third parties**

While North Energy operates certain of its assets, the Company is not the operator of most of its current assets. The joint operating agreements for the activities conducted by the license joint venture provide for a right of consultation or consent in relation to significant matters and generally impose standards and requirements in relation to the operator's activities. Nevertheless, North Energy generally has limited control over the day-to-day management or operations of those assets and is therefore dependent upon the activities of the operator. A third party operator's mismanagement of an asset may result in delays or increased costs to North Energy. While North Energy has purposely acquired interests in assets that are operated by operators it believes to be reputable, there can be no assurance that the operator will observe such standards or requirements, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

If a party with an interest in North Energy's assets elects not to participate in certain activities relating to those assets that require that party's consent, North Energy may be unable to undertake such activities alone or together with the other participants at the desired time or at all. Further, North Energy typically holds only an ownership share in its assets, which is insufficient to have majority voting in the partnership. North Energy may therefore have insufficient influence when the partnership decides on drilling, thereby losing good drilling opportunities. Participants in North Energy's assets may also default on their obligations to fund capital or other payments in relation to the assets. In such circumstances, North Energy may be required under the terms of the joint operating agreements to contribute all or part of any funding shortfall. Any such delay in or inability to undertake activities or fulfil an obligation to provide further funding could adversely affect North Energy's business, results of operations or prospects, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Risk of joint and several liabilities with its license partners**

North Energy is liable on a joint and several basis together with its license partners for the liabilities of the license group. Such liability may apply both to licenses in their initial term and to producing licenses. These liabilities could be derived from legislative and regulatory requirements, the joint operation agreement and/or from agreements with third parties entered into on behalf of the specific license group. Failure by a license partner to fulfil its financial obligations may therefore increase North Energy’s exposure related to the license in question. Any significant increase in costs as a consequence of joint and several liabilities may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**North Energy holds a number of licenses in their initial terms**

North Energy holds a number of interests in production licenses that are in their initial terms. The early stages or exploration period of a license are commonly the most risky periods of participation. These phases of the term of a license require high levels of relatively speculative capital expenditure without a commensurate degree of certainty of a return on such investment, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**North Energy is dependent on attracting and retaining key personnel**

North Energy's success depends, to a large extent, on attracting and retaining key personnel. The loss of the services of any key personnel could have a material adverse affect on North Energy. North Energy does not maintain, nor does it plan to obtain, key person insurance against the loss of any of its key personnel. The competition for qualified personnel in the oil and gas industry is intense. There can be no assurance that North Energy will be able to continue to attract and retain all key personnel necessary for the development and operation of its business, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Risks associated with labour disputes**

North Energy's contractors or service providers may be limited in their flexibility in dealing with their staff due to the presence of trade unions among their staff. If there is a material disagreement between contractors or service providers and their staff belonging to trade unions, North Energy's operations could suffer an interruption or shutdown, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Risk of damaged equipment and insurance policies**

Oil and gas exploration, development and production operations are inherently risky and hazardous. Risks typically associated with these operations include unexpected formations or pressures, premature decline of reservoirs and the intrusion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on North Energy's results of operations, liquidity and financial condition. Hazards typically associated with offshore oil and gas exploration, development and production operations include fires, explosions, blowouts, marine perils, including severe storms and other adverse weather conditions, vessel collisions, gas leaks and oil spills, each of which could result in substantial damage to oil and gas wells, production facilities, other property and the environment or in personal injury. Oil and gas installations are also known to be likely objects, and targets, of military operations and terrorism.

Although North Energy obtains, and will obtain in the future, insurance prior to drilling in accordance with industry standards to cover certain of these risks and hazards, insurance is subject to limitations on liability and, as a result, may not be sufficient to cover all of North Energy's losses. In addition, the risks or hazards associated with North Energy's offshore operations may not in all circumstances be insurable or, in certain circumstances, North Energy may elect not to obtain insurance to deal with specific events due to the high premiums associated with such insurance or for other reasons. The occurrence of a significant event against which North Energy is not fully insured, or the insolvency of the insurer of such event, may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Dependence on oil field service providers**

North Energy may be subject to liability claims due to the inherently hazardous nature of its business or for acts and omissions of sub-contractors and other service providers. Any indemnities North Energy may receive from such parties may be difficult to enforce if such sub-contractors, operators or other service providers lack adequate resources, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Risk associated with the global financial crisis**

North Energy is influenced in general by the economic situation in the markets where North Energy operates. The global economy and the global financial markets have been characterised by substantial uncertainty and problems of historical enormity since early 2007, and this remains very much the case as at the date of this Prospectus. The global financial markets are volatile, and several large financial institutions and sovereign states are experiencing serious financial challenges. Several countries are facing the probability of or have already experienced economic recession, such as in the United States and a number of Euro-zone economies. A continued decrease in the global economy and problems relating to governmental treasuries, equity- and debt markets, the access to and cost of capital, the general confidence by consumers, increased unemployment, inflation and interest rates may have a grave and substantial effect on North Energy's business, revenues, financial position and equity. The exact effects of the global financial crisis on North Energy are very uncertain and not possible to describe in any precise manner as at the date of this Prospectus.

## 2.3 Risk factors relating to North Energy's financing

**Financial liquidity risk**

North Energy's business requires substantial liquidity and involves significant near term obligations, debt service obligations (interest charge and principal repayment) and capital expenditure and, depending on the evolution of the field, in certain circumstances it may need to obtain further external debt and equity financing at a future date. There is no assurance that such additional funding, if required, will be available on acceptable terms at the relevant time. Furthermore, any incremental debt financing may involve restrictive covenants, which may limit North Energy's operating flexibility. If additional funds are raised through the issuance of equity or equity-linked instruments, North Energy's shareholders may experience a reduction in their percentage shareholdings. An inability to obtain sufficient funding for its operations, exploration or development plans may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Interest rate risks**

The Company is exposed to interest rate risks as the Company's loan has a floating rate. A significant increase in the general interest rate level may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

**Risk attached with financing of exploration costs**

North Energy is not in a tax position and annually claims a refund from the State equal to the tax value of its direct and indirect costs, except financial charges, incurred in exploration for petroleum resources. The tax value is set to the total of direct and indirect costs multiplied by the tax rate, currently at 78 per cent.

North Energy's exploration costs are on a continuous basis financed through a revolving financing facility with a Norwegian bank with annual repayments upon receipt of tax refunds from the Norwegian State. If the arrangement with tax refunds from the State lapses or is restricted, the capital need of the Company is likely to increase. At worst, such restrictions may reduce the Company's exploration activities, which may have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow.

## 2.4 Risk factors relating to the North Energy shares

**Volatility of share price**

There can be no assurance that an active market can be sustained with respect to the Shares. The market price of the Shares could fluctuate widely due to a number of factors, some of which are beyond the Company's control, including, but not limited to, the following: (i) actual or anticipated variations in operating results and/or production levels; (ii) fluctuations in oil prices and reserve levels; (iii) changes in financial estimates or recommendations by stock market analysts regarding the Company or its competitors; (iv) announcements by the Company or its competitors of significant acquisitions, strategic partnerships, (v) joint ventures or capital commitments; (vi) sales or purchases of substantial blocks of stock; (vii) additions or departures of key personnel; (viii) future equity or debt offerings by the Company and its announcements of these offerings; (ix) result of drilled wells: and (ix) general market and economic conditions. Moreover, in recent years, the stock market has in general experienced large price fluctuations. These broad market fluctuations may adversely affect the Company's stock price, regardless of its operating results.

**Liquidity of the Shares**

The Company cannot assure any investors that a liquid trading market for the Shares will be created or sustained through the Listing. The Company has not entered into any market-maker or liquidity agreement.

**Risks associated with dilution**

Shareholders in Norwegian public limited liability companies such as the Company have pre-emptive rights to subscribe for new shares proportionate to the aggregate amount of the shares they hold. Such pre-emptive rights may be set aside by the shareholders meeting, which could result in existing shareholders being diluted as a result of the share issue.

The Company is not currently subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Securities Act"), and has no intention to subject itself to such reporting requirements by filing a registration statement under the Securities Act to register any rights or new shares or otherwise. For reasons relating to U.S. securities laws (and the laws in certain other jurisdictions) or other factors, U.S. investors (and investors in such other jurisdictions) may not be able to participate in a new issuance of shares or other securities and may face dilution as a result. If U.S. holders of the Shares (or holders of Shares in other jurisdictions) are not able to receive, trade or exercise pre-emptive rights granted in respect of their Shares in any rights offering by the Company, then they may not receive the economic benefit of such rights. In addition, their proportional ownership interests in the Company will be diluted.

**U.S. Law enforcement**

It may be difficult for investors based in the United States to enforce civil liabilities predicated on U.S. securities laws against the Company, its affiliates, directors and officers. The Company is organised under the laws of Norway. The Company's directors and officers reside outside of the United States, and the Company's assets are located outside of the United States. As a result, it may be difficult for investors in the United States to effect service of process within the United States upon the Company or the Company's directors and officers or to enforce judgments obtained in U.S. courts predicated on the civil liability provisions of U.S. federal securities laws against the Company or the Company's directors and officers. In addition, punitive damages in actions brought in the United States or elsewhere may be unenforceable in Norway.

**Additional risk for holders of Company's Shares that are registered in a nominee account**

Beneficial owners of the Company's Shares that are registered in a nominee account may not be able to vote for such Shares unless their ownership is re-registered in their names with the VPS prior to the Company's general meetings. The Company cannot guarantee that beneficial owners of the Company's Shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners.

**The transfer of Shares is subject to restrictions in certain jurisdictions**

The Company has not registered the Shares under the U.S. Securities Act or the securities laws of jurisdictions other than Norway and the Company does not expect to do so in the future. The Shares may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) nor may they be offered or sold in any other jurisdiction in which the registration of the shares is required but has not taken place, unless an exemption from the applicable registration requirement is available or the offer or sale of the shares occurs in connection with a transaction that is not subject to these provisions.

**Limitations to make claims against the Company**

Following the registration of the capital increase relating to any Shares of the Company in the Norwegian Register of Business Enterprises, subscribers or purchasers of those Shares have very limited recourse against the Company under Norwegian law.

# 3 RESPONSIBILITY STATEMENT

**Statement from the Board of North Energy ASA**

This Prospectus has been prepared by the Company to provide information to shareholders and prospective investors of the Company in connection with the listing on Oslo Axess of 71,250,000 New Shares issued in the Private Placement resolved by the extraordinary general meeting on 13 February 2014.

The Board confirms that, after having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

6 March 2014

The Board of North Energy ASA

| | | |
|---|---|---|
| Johan Petter Barlindhaug<br>Chairman | Jogeir Romestrand<br>Board member | Harriet Hagan<br>Board member |
| Heidi M. Petersen<br>Board member | Anders Onarheim<br>Board member | Alexander Krogh<br>Board member |

# 4 COMPANY OVERVIEW

## 4.1 Incorporation, registered office and registration number

The corporate name of the Company is North Energy ASA. The Company was established on 4 September 2007, with organisation number 891 797 702, as a private limited company. On 17 December 2009 the Company converted into a public limited liability company organised and existing under the laws of Norway, pursuant to the Norwegian Public Limited Companies Act.

The Company has its headquarter and registered office at, Markveien 38B, 9510 Alta, Norway, Telephone: +47 78 60 79 50, Telefax: +47 78 60 83 50, and branch offices in Oslo, Stavanger and Tromsø. The Company's web site is www.northenergy.no.

## 4.2 Company overview and history

The idea to form North Energy as an independent exploration company was presented at a regional conference in Alta in the northernmost county in Norway as early as 2004 by the investment company Origo, and North Energy was established on 4 September 2007 with the purpose of becoming a leading oil company in the north. The founders of the company were Origo Kapital (P.O. Box 1247, 9504 Alta), ProNord AS (Tollbugata 13, Bodø), JBP AS (Nøkken 26, Tromsø), and Salten Kraftsamband (Eliasbakken 7, 8205 Fauske).

The background for forming the company was the lack of local value creation and local employment from the oil industry which threatened to exclude some of the areas with the highest hydrocarbon potential from licensing. The political motivation for the proposal of banning exploration activities in this area was the sensitivity of the environment and area competition with the fisheries. Today, North Energy's focus on these issues is both visible and embedded in the corporate vision and goals, making the Company central in the activity of opening the north for new oil and gas exploration and production activity. The head office in Alta is located almost 1,000 km north of the Arctic Circle.

During its first year of operation, North Energy qualified as a license holder on the NCS. The company was prequalified as operator and was awarded interests in licenses in the Barents Sea and the Norwegian Sea. The time it took for the Company to qualify as operator is recognized as the shortest on the NCS. Being awarded an operatorship in the APA 2008 round (December 2008), immediately following its qualification is also evidence of North Energy's standing and potential as an independent oil company in northern Norway.

North Energy has so far participated in 11 exploration wells and is currently participating in exploring 28 production licenses (of which 6 are pending governmental approval) in the North Sea, the Norwegian Sea and the Barents Sea. For further details, see section 4.6 below.

Out of 11 exploration wells, North Energy has made 2 gas discoveries. PL 433 Fogelberg was a gas condensate discovery in the Norwegian Sea, which was sold to Centrica AS Norway in 2012. The second gas discovery, PL 535 Norvarg, was discovered in the Barents Sea in 2011. An appraisal well of PL 535 Norvarg was drilled in 2013. The results from the appraisal wells are still under evaluation by the license partnership.

The Company is a pure exploration company participating currently only in the exploration phase.

The Company does not have current oil or gas production, no production income or any assets which are in the development phase or construction phase. The Company does not have any liabilities relating to decommissioning. The license portfolio does not contain any reserves or resources. The Company expects that it will need several years until it reaches oil production phase, considering that it currently does not have any oil discoveries in its license portfolio.

Before the stock listing in February 2010, the Company acquired 100 per cent of the shares issued by 4sea Energy AS ("4sea Energy") and thereby became party to two production licenses (PL 498 and PL503 as further detailed in section 4.6). The license PL 498 and PL 503 were sold to North Energy from 4sea Energy with economic effect from 31 December 2012 for NOK 37 million. This sale was part of the Company restructuring where the oil exploration activity in 4sea Energy ceased. 4sea Energy is currently a dormant company.

On 1 March 2013 the Company secured up to NOK 200 million in financing through the issuance of a convertible loan to TGS Nopec ASA for the purpose of purchasing seismic data and related services, as further described in section 9.2.2.

On 1 March 2013 the Company entered into a convertible loan agreement in the amount of up to NOK 100 million with Rex Technology Management Ltd ("Rex Technology") for the purpose of purchasing Rex Virtual Drilling ("RVD") technology services, as further described in section 9.2.3.

In January 2014, the Company entered into an agreement with EMGS ASA ("EMGS") for the license of EMGS' EM data library for the Barents Sea for an amount equal to NOK 75 million (the "EMGS License Agreement"), as further described in section 9.1.1 below. In addition, EMGS has committed to provide various services over the coming two years and North Energy has agreed to prefund certain surveys all for a total amount of NOK 25 million. The agreement was conditional upon amongst other the issuance of a NOK 75 million convertible bond loan and raising of minimum

NOK 225 million in equity in a private placement. The Private Placement was completed on 20 January 2014. Issuance of the convertible loan and the Private Placement was resolved on 13 February 2014 at which all conditions for the EMGS License Agreement were fulfilled and the agreement became effective. The data was delivered on 19 February 2014 and the convertible loan issued on 20 February 2014.

The Company has developed considerable exploration expertise and also meets all the formal requirements to be able to undertake drilling operations. Presently, 40 people are permanently employed in the Company.

## 4.3 Vision and business strategy

The Company's goal is to create profits for shareholders as well as spin-off business onshore by participating in petroleum exploration, development and production activities on the NCS.

North Energy's vision is to become a profitable and leading oil and gas company that actively contributes to industrial value creation in northern Norway. To achieve this in the short term, North Energy's dominating strategy is to acquire licenses with prospects close to infrastructure and with a high probability of success. This is best achieved in known exploration play models around infrastructure where spare process capacity will be available within the next few years.

In the longer term, the Company's core activities involve the development of alternative solutions for profitable and sustainable petroleum operations in northern Norway, including facilitating onshore business and spin-offs and other value creation in the region. This will only be achieved by becoming an operator.

North Energy has chosen to focus systematically on innovative solutions and seeks to develop the skills required to make decisions throughout the entire value chain that characterises the petroleum industry. Within exploration this includes fundamental understanding of all main prospect risk areas and the development of new methods to use existing data for prediction of exploration risk. North Energy is the first oil exploration company on the NCS to use the RVD technology and the Company is at the time of this Prospectus applying this technology to all its prospect screening and business decisions. In the areas of development and technology it involves close contact with technology environments and supply industry to challenge existing solutions and optimize opportunities and plans for future developments.

Oil and gas activities in these northern areas impose strict demands with respect to coastal oil spill preparedness and consequences, requiring close dialogue with representatives of the coastal communities. To this end, a new concept has been developed in close cooperation with the regional fishing organisations, involving use of local fishing fleet for emergency response. North Energy seeks to support to develop this concept further and to transfer positive experiences from Finnmark to drilling outside the Nordland County.

## 4.4 Business overview

During its first year of operation, North Energy qualified as a license holder on the NCS. The company was prequalified as operator and was awarded interests in licenses in the Barents Sea and the Norwegian Sea. The time it took for the company to qualify as operator is recognized as the shortest on the NCS. Being awarded an operatorship immediately following its qualification is also evidence of North Energy's standing and potential as an independent oil company in northern Norway.

The NCS has been a major stimulus for the development of new technologies and technological understanding. North Energy recognises the importance of continued petroleum activities to allow Norwegian industry to maintain its leading position in the global arena for the development and demonstration of new solutions and philosophies.

The Company is now a participant in 28 licenses in the Barents Sea, Norwegian Sea and the North Sea, and has been appointed as operator of PL 590/590B and PL 509S/509BS/509CS. Where details on the current status on the licenses below have not been specified, reference is made to section 10.6 for further information.

- Two licenses were awarded in the APA 2008 round (December 2008):
  - 30 % in PL 518 in the Barents Sea – drilled in 2010 and was classified as non-commercial. The license has been handed back.
  - 20 % in PL 510 in the Norwegian Sea
- Four licenses were awarded in the 20th licensing round (April 2009):
  - 20 % in PL 530 in the Barents Sea – drilled in 2010 and was classified as non-commercial. The license has been handed back.
  - 20 % in PL 535 in the Barents Sea
  - 20 % in PL 536 in the Barents Sea – the license has been handed back without any drilling operations.

- 40 % in PL 526 in the Norwegian Sea as operator – the license has been handed back without any drilling operations.

- Three licenses were awarded in the APA 2009 round (January 2010):
  - 30 % in PL518B in the Barents Sea – the license has been handed back without any drilling operations.
  - 10 % in PL562 in the Norwegian Sea – the license has been handed back without any drilling operations.
  - 20 % in PL564 in the Barents Sea – the license has been handed back without any drilling operations.
- Five licenses were awarded in the APA 2010 round (January 2011):
  - 20 % of PL 594 in the Barents Sea – the license has been handed back without any drilling operations.
  - 40 % of PL 595 in the Barents Sea
  - 40 % of PL 587 in the Norwegian Sea
  - 40 % of PL 590 in the Norwegian Sea as operator
  - 25 % of PL 503B in the North Sea
- One license was awarded in the 21st licensing round (April 2011):
  - 20 % of PL 601 in the Norwegian Sea
- Two licenses were awarded in the APA 2011 round (January 2012):
  - 20 % of PL 616 in the North Sea
  - 10 % of PL 656 in the Norwegian Sea
- One license was awarded in APA 2012 ( January 2013)
  - 15% of PL 693 in the Norwegian Sea – the license has a Drill or Drop decision on 8 February 2016.
- Six licenses were awarded in the 22nd licensing round (June 2013).
  - 20 % of PL 535B in the Barents Sea
  - 20% of PL 707 in the Barents Sea
  - 20% of PL 708 in the Barents Sea
  - 20% of PL 713 in the Barents Sea
  - 20% of PL 719 in the Barents Sea – the license has a Drill or Drop decision on 21 June 2016.
  - 20% of PL 722 in the Barents Sea
- Six licenses were awarded in APA 2013 (January 2014). Awards are currently pending government approval.
  - 12,5% of PL 503C in the North Sea
  - 40% of PL 509CS in the North Sea
  - 30% of PL 590B in the Norwegian Sea
  - 20% of PL 762 in the Norwegian Sea

- 20% of PL 770 in the Barents Sea
- 20% of PL 769 in the Barents Sea

- Farm-ins:
  - 12 % of PL 433 from Centrica – share was sold back to Centrica for NOK 73 million (after tax) after the gas condensate discovery Fogelberg.
  - 15 % of PL 385 from Statoil – drilled in 2012 and was classified as non-commercial. License has been returned
  - 11 % of PL 341 from Talisman – drilled in 2010 and was classified as non-commercial. License has been handed back.
  - 10 % of PL 370 / 370B from Wintershall – drilled in 2012 and was classified as non-commercial. License has been handed back.
  - 20 % of PL 385 from Wintershall – drilled in 2012 and was classified as non-commercial. License has been returned.
  - 15 % of PL 450 from Det norske oljeselskap – drilled in 2012 and was classified as non-commercial. License is in the process of being handed back. Relinquishment letter sent to authorities (16 December 2013)
  - 40 % of PL 509S / 509BS from Wintershall– License has drill or drop decision in mid 2014.

The Company does not expect material investments in the abovementioned farm-in licenses. As mentioned above, they are either sold, returned back to the authorities or already drilled. PL 509 is a license with a drill or drop decision in mid 2014, which may carry drilling costs in case of a drill decision. The drilling costs are currently unknown and will depend on several factors, including, inter alia, North Energy's share in the license at the time of drilling, depth of the drilling target, the chosen rig and the extent of the testing program.

- Farm-outs:
  - 10% of PL 299 to Spike Exploration
  - 10% of PL 590 to Spike Exploration
  - 20% of PL 385 to Dong Energy
  - 5% of PL 498 to Lime Petroleum Norway
  - 12,5% of PL 503 to Lime Petroleum Norway
  - 12,5% of PL 503B to Lime Petroleum Norway
  - 5% in PL 616 to Lime Petroleum Norway

- Acquisition of 4sea Energy:
  - 25 % of PL 498 in the North Sea
  - 25 % of PL 503 in the North Sea

## 4.5 Exploration strategy

To develop North Energy as a sustainable oil company in the short and long term, the Company seeks to acquire a balanced portfolio of exploration assets. In the short term, the Company actively pursues acreage that will secure oil discoveries close to existing infrastructure with short lead-time to development and production and limited capital expenditure. In the longer term, the focus will be to secure a reserves base that will make the Company grow and become a major player on the NCS in general and in the Barents Sea in particular.

In order to meet these goals the Company has taken on a new exploration tool based on seismic low frequency resonance response, in order to maximize the rate of success. During a cooperation agreement between North Energy and the technology company Rex Technology, their resonance technology (RVD) has been tested on numerous prospects on the Norwegian shelf. The technology identifies oil directly in the reservoirs. The algorithms behind the RVD technology are patented but North Energy has run a series of blind-tests, pre and post drilling, from different areas on the Norwegian shelf, with the aim of verifying the technology as a valuable screening tool. The blind test provided very encouraging results. The RVD technology will, in the future, be a standard tool in the internal license G&G work programs.

A technology partnership with EMGS in the Barents Sea with acquisition of EMGS's entire Barents Sea EM data library of more than 30.000 $km^2$ of data will make EM an integral part of North Energy's exploration strategy. EM is a powerful tool for scanning and de-risking prospects in shallow hydrocarbon basins such as the Barents Sea. The technology is proven effective in the Barents Sea with positive indications in discoveries like Havis, Snøhvit, Skrugaard, Norvarg and most recently on the Wisting Central wildcat. Five of eight North Energy licenses in the Barents Sea are covered by the EMGS EM library.

In APA 2009, 2010, 2011, 2012 and in 2013 North Energy applied for exploration acreage in proven hydrocarbon provinces with established infrastructure and production licenses. On 21 January 2014 North Energy was awarded no less than six new production licenses from the 2013 round of awards in predefined areas ("APA"), including two operatorships. These awards comprising PL 503 C, PL 509 CS, PL 590 B, PL 762, PL 769 and PL 770 cover all three regions of the NCS and represent a substantial strengthening and growth in the Company's portfolio. In future Concession Rounds North Energy will focus on acreage within both proven hydrocarbon provinces with expected low risk after having applied its RVD technology, as well as regions with higher risk and high reward potential.

North Energy will in the future also actively explore virgin areas with higher risk, mitigated by its Exploration Toolbox. In these areas, prospects with a large potential and a longer lead-time to production is still available. The classic concession round on the NCS is targeted as a major event to secure a reserves base for the future. The company was successfully awarded six licenses in attractive Barents Sea acreage in the 22nd Round, making North Energy one of the winners in this highly competitive License Round. Among the most interesting awards are the PL 722 in the Hoop area, 45 km from the recent Wisting oil discovery (Statoil), and the two Finnmark Platform licenses PL 707 and PL 708 in similar Permian plays as the Gotha oil discovery (Lundin).

## 4.6 Overview of the production licenses on the Norwegian Continental Shelf

Below is an overview of the 28 production licenses in the North Energy portfolio (Figure 4.6). In Table 4.6 the six licenses awarded in predefined areas on 21 January 2014 are included. The award is pending government approval.

A competent persons report dated 22 December 2009 was prepared in relation to the admission to trading of North Energy on Oslo Axess in 2010. The competent persons report is available at the Company's business address in Markveien 38B, 9510 Alta, Norway. Following the listing on Oslo Axess in 2010, North Energy has reported and published in its annual reports details of mineral resources in accordance with the standards applied by the Society of Petroleum Engineers ("SPE"). In this Prospectus, as permitted by the OSE, the SPE standards are applied with respect to the resource estimates on PL535 Norvarg, see figure 4.7 below.

Under SPE standards, contingent resources are those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable. The resources may not be considered commercially recoverable for a variety of reasons, including the high costs involved in recovering the resources, the price of oil at the time, the availability of resources and other development plans that may be in place. By contrast, prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations.

**Figure 4.6: Overview of production licenses.**

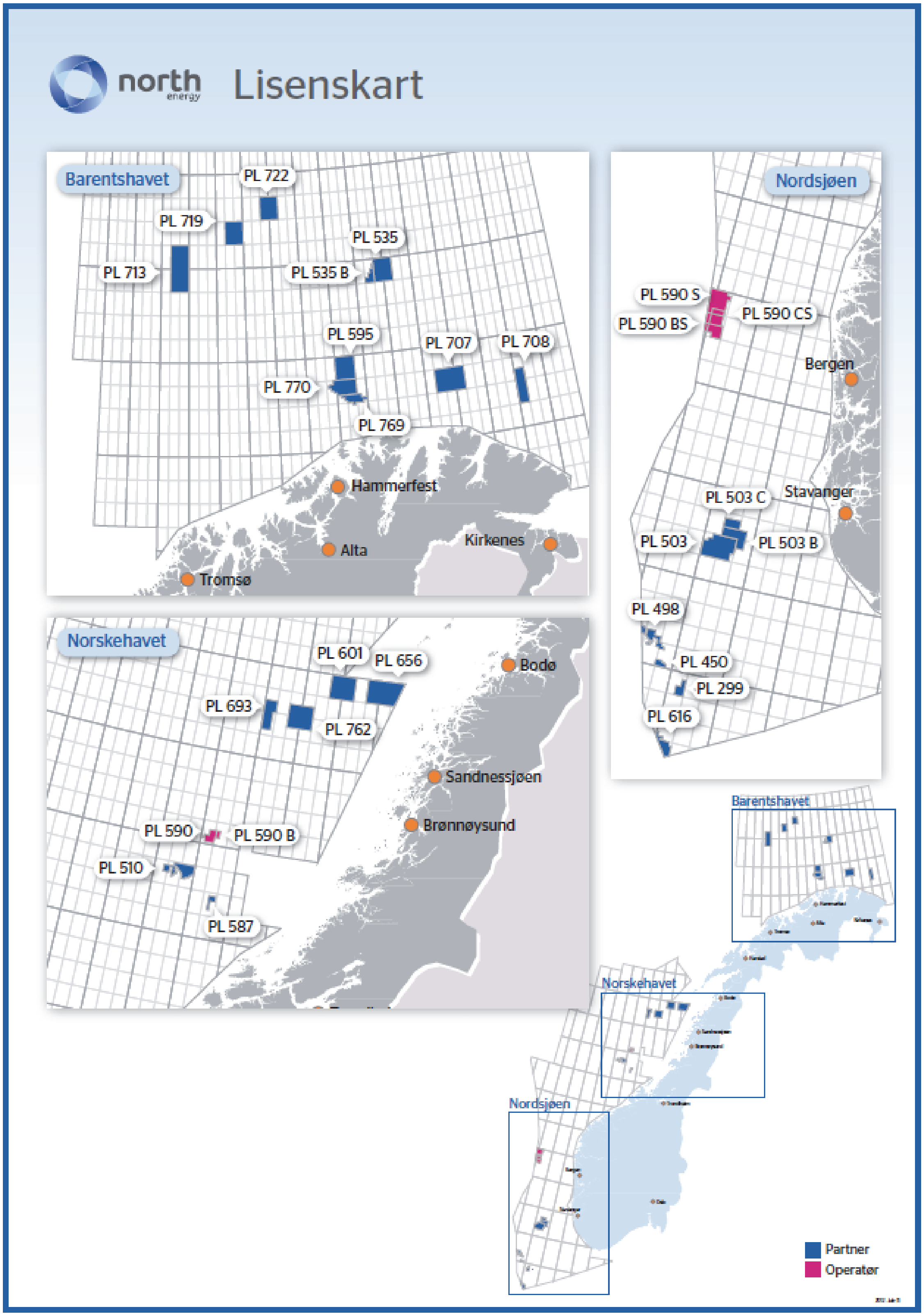


**Table 4.6: License overview**

| License | Interest | Operator | Main Prospect | License Expiry |
|---|---|---|---|---|
| PL 299 | 10% | Talisman | Frode<br>Step out of licenses 1 February 2013 | 12 December 2016 |
| PL 450 | 20% | Det Norske | Storebjørn<br>Relinquishment letter sent to authorities (16 December 2013) | 1 March 2015 |
| PL 498 | 20% | Lotos | Skagen<br>Lime Petroleum Norway has taken over NE shares (1 January 2014) | 23 January 2015 |
| PL 503 | 12.5% | Lotos | Valberget | 23 January 2017 |
| PL 503 B | 12.5% | Lotos | Valberget extension | 23 January 2017 |
| PL 503C | 12.5% | Lotos | Valberget extension<br>Pending Government approval | 23 January 2017 |
| PL 509 S | 40% | North Energy | Albatross<br>DoD 2014 | 23 January 2018 |
| PL 509 BS | 40% | North Energy | Albatross extension<br>DoD 2014 | 23 January 2018 |
| PL 509 CS | 40% | North Energy | Albatross extension<br>Pending Government approval | 23 January 2018 |
| PL 510 | 20% | Maersk | Tvillingen South<br>Firm well | 23 January 2016 |
| PL 535 | 20% | Total | Norvarg<br>Appraisal complete 2013 | 15 May 2014 |
| PL 535 B | 20% | Total | Norvarg Extension | 15 May 2014 |
| PL 587 | 40% | Edison | Grenoble | 4 February 2018 |
| PL 590 | 30% | North Energy | Sierra<br>DoD 2014 | 4 August 2016 |
| PL 590 B | 30% | North Energy | Sierra extension<br>Pending Government approval | 4 August 2016 |
| PL 595 | 40% | Edison | Jaktfalk | 4 February 2019 |
| PL 601 | 20% | Wintershall | Nupen West<br>DoD 2014 | 13 May 2017 |
| PL 616 | 15% | Edison | Skagastøl<br>DoD 2014 | 3 August 2019 |
| PL 656 | 10% | E.ON Ruhrgas | Selsbane | 3 February 2020 |
| PL 693 | 15% | OMV | Eagle | 8 February 2020 |
| PL 707 | 10% | Edison | Seiland West | 21 June 2018 |
| PL 708 | 10% | Lundin | Seiland East | 21 June 2018 |

| | | | | |
|---|---|---|---|---|
| PL 713 | 20% | Statoil | Halddi<br>Firm well | 21 June 2017 |
| PL 719 | 20% | Centrica | Sandia | 21 June 2019 |
| PL 722 | 20% | GDF | Skaidi | 21 June 2019 |
| PL 762 | 20% | Noreco | Vågar<br>Pending Government approval | 21 January 2022 |
| PL 769 | 20% | OMV | Grid<br>Pending Government approval | 21 January 2021 |
| PL 770 | 20% | Edison | Saarikoski<br>Pending Government approval | 21 January 2021 |

The different license partnerships may apply for extension if there are valid reasons for such extension. For instance, an application for extension may be based on the seismic acquisition and analysis being delayed and that the license partnership has insufficient time to perform a satisfactory evaluation of the license before the expiry date.

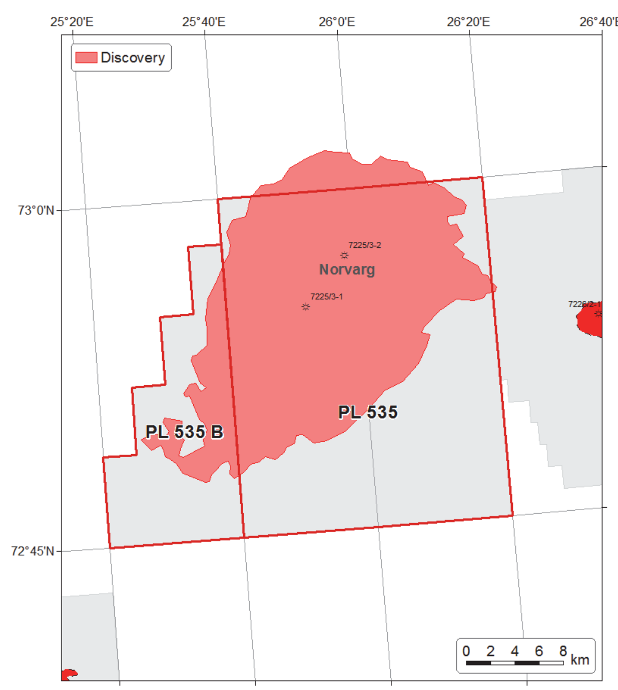
## 4.7 Exploration discoveries

### 4.7.1 PL 535/535 B Norvarg, North Energy 20%

The Norvarg I exploration well was drilled in 2011. The prospect is synonymous with the large, salt-induced Norvarg Dome in the Barents Sea located just west of the Ververis discovery. The Norvarg well made 4 separate gas discoveries of which 3 had producible gas. The fourth interval is analogue to another well in the area that was previously tested to produce gas. The Norvarg II appraisal well was drilled in mid-2013 to better understand the facies and fault bounded segmentation of the Norvarg structure. Norvarg is situated approximately 275 km north/northeast of Hammerfest. Discoveries were made in Triassic reservoirs in 2008 in well 7226/2-1 ("Ververis") approximately 20 km east of Norvarg, and in well 7224/6-1 ("Arenaria") approximately 45 km southwest of Norvarg.

**Figure 4.7: PL 535/535 B in the Barents Sea**

| | |
|---|---|
| Awarded............................ | 20th round (2009) and 22nd round (2013) |
| Expiry date........................ | 15 May 2014 |
| Blocks ............................... | 7225/3 and 7226/1 |
| Area.................................. | 611 + 174 km$^2$ |
| Operator ............................ | Total Norge AS (40%) |
| Partners ............................. | North Energy (20%)<br>Det norske oljeselskap ASA (20%)<br>Rocksource ASA (20%) |
| Work program................... | Acquire a minimum of 500 km$^2$ 3D seismic. One firm well within 4 years. Done |
| Main discovery ................. | Norvarg, 4 discoveries |
| Hydrocarbons.................... | Gas |
| Drilling exploration well... | 2011. Complete |
| Drilling appraisal well…… | Mid 2013. Complete |
| Gross P50 recoverable...... | 260* mmboe |
| Net P50 recoverable ......... | 52* mmboe |




* Operators pre-appraisal resource estimates

**Prospects and leads**

The Norvarg gas discoveries are located on the gas prone Bjarmeland Platform, between the Ververis and Arenaria discoveries. Further to the southwest, an interesting discovery of oil and gas was made in the Caurus structure in similar reservoirs as described from the Norvarg structure. The main reservoir level is an intra-Triassic sand (Kobbe Formation). In Norvarg I the Kobbe sands were tested with gas flows up to some 180,000 $Sm^3$/day. This was regarded as very promising and the expectation is that deviated production wells will flow even better. The Triassic Snadd Formation and the Jurassic Realgrunnen Formations also contained sands with movable accumulations of gas. The Havert Formation contained gas in a rather thick apparently tight reservoir. A similar well further to the southeast was previously tested and produced gas from the same interval. The Norvarg II appraisal well encountered gas in the Kobbe formation. The reservoir has better porosity than the Norvarg I discovery, but similar permeability and productivity. The maximum production rate was 175 000 $Sm^3$/day.

**Impairment of total Norvarg capitalized expenses to zero**

Data analysis is still on-going for the Norvarg II appraisal well and complete data set is expected delivered by the operator later in first quarter of 2014, however, the operators preliminary assessment indicate a possible reduction in the resource estimates for Norvarg, compared with the original estimates following the Norvarg I discovery.

Depth of the Norvarg well was approximately 2,200 meter. The well is considered a non-HTHP (High Temperature, High Pressure) well. It was not measured necessary gas pressure for the production of commercial volumes of gas, however, final evaluation is still pending the operators complete data set. Considering that there is no existing infrastructure nearby, the development of Norvarg will require a gas pipeline to the Barents Sea. It is therefore unlikely that Norvarg will be commercial in the near term. However, new technology and additional discoveries in the area could provide the basis for establishing the necessary infrastructure, which could in turn mean a reassessment.

Four of the license partners, including North Energy, have written down to zero the balance sheet value of the wildcat and appraisal well in its accounts.

**Potential development solutions**

Further appraisal is necessary before a development solution can be firmed up. Initial processing is likely, either subsea or on an offshore hub, before gas export to Melkøya or other land site for further export in a new gas export pipeline or as LNG. Offshore LNG and CNG might also be feasible options, and the license has embarked upon initial screening studies to identify opportunities and potential technology gaps for the various solutions.

**Work program**

The work program (new 3D and one well) was fulfilled as of the 3rd quarter of 2011.

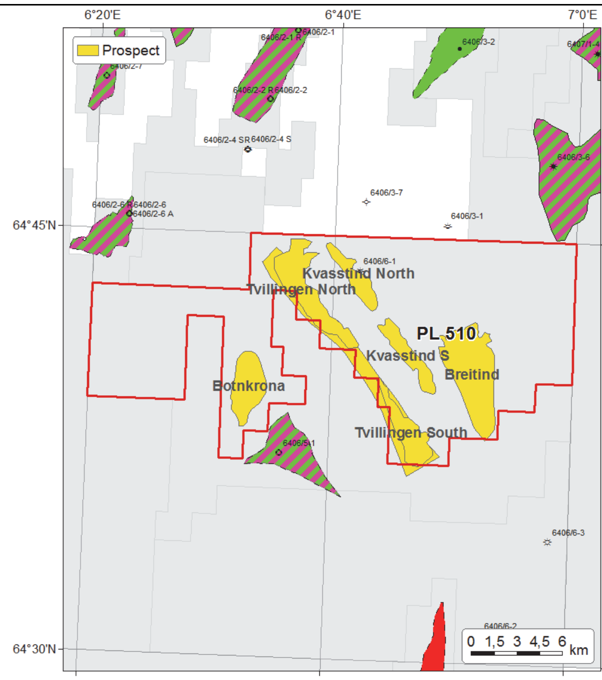
## 4.8 Firm exploration wells in 2014-15

### 4.8.1 PL 510 Tvillingen South, North Energy 20%

Production license 510 is located in the Norwegian Sea in the Gimsan Basin, 25 km from the Kristin, 30 km from the Åsgard, 25 km from the Linnorm and 50 km from Njord Fields. There are five identified prospects within PL 510 reside in Horsts and rotated fault blocks with multiple stacked Jurassic reservoirs. The Jurassic play is proven in the area, with a success rate of close to 70% over the past 10 years. The main prospect Tvillingen South is scheduled to be drilled in Q4 2014 and is expected to contain gas/condensate.

**Figure 4.8.1: PL 510 in the Norwegian Sea**

| | |
|---|---|
| Awarded | APA 2008 |
| Expiry date | 23 January 2015 |
| Blocks | 6406/5, 6 |
| Area | 301 km$^2$ |
| Operator | Maersk Oil Norway (50%) |
| Partners | Edison (30%)<br>North Energy (20%) |
| Work program<br>(Updated January 2013) | Drill one firm well within January 2015 |
| Main prospect | Tvillingen South |
| Hydrocarbons | Gas/condensate |
| Drilling | Rig slot on Leiv Eriksson secured Q4 2014 |




**Prospects and leads**

The Tvillingen South main prospect is located at the southern end of a four way fault bounded horst. The high can be divided into two structural closures separated by a west-east striking saddle. The potential reservoir units in the Tvillingen South prospect are expected to include the Garn, Ile, Tofte and Tilje formation sands. Additional five prospects have been identified within PL 510: the Breitind, the Tvillingen North, the Kvasstind North and South and the Botnkrona prospects. All share the same play concept as the Tvillingen South prospect. The Breitind prospect is separated by a sadle point in the middle of the high. In the northern structure, tested by well 6406/3-1, the top seal is breached and a paleo gas coloumn was encountered in the well. The Breitind prospect (southern structure) is a deeper structure and is protected from the pressures in the north. Kvasstind North and South are two defined closures located on the same fault block separated by a relay ramp. The Tvillingen North and Kvasstind North prospects are dissected by a north-northeast/south-southwest trending fault that has up-thrown the northwest parts and subjected them to erosion removing the Garn and Ile formations locally. The Botnkrona prospect is a four way fault bounded high, expected to be highly over-pressured.

**Potential development solutions**

The Breitind prospect is assumed to contain oil. Tie-in to Åsgard A, Polarled, Njord and Draugen are potential solutions. Åsgard A is designed for tie-ins and is the preferred solution with possibility of export via Gassled (ÅTS). A tie-in to Linnorm can open for earlier development if a new pipeline is realised in 2016 to 2017.

**Work program**

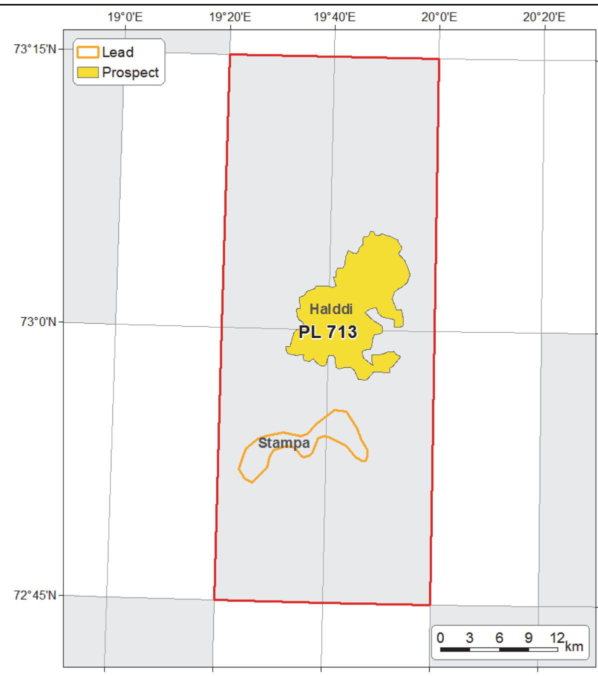
A decision to drill was taken by the partnership with expected start up in the 4$^{th}$ quarter of 2014. The well will be drilled by Leiv Eriksson and it is not planned for a side-track solution. The drilling of Tvillingen South requires HPHT operations. Leiv Eirikssson is a 5$^{th}$ generation deep water semi-submersible drilling rig which is owned by Ocean Rig. Ocean Rig is an international offshore drilling contractor providing oilfield services for offshore oil and gas exploration, development and production drilling, and specializing in the ultra-deep water and harsh environment segment of the offshore drilling industry. The operator of PL 510, Mærsk Norway AS, is responsible for the procurement of this rig, which is being leased by the partnership. The leasing period for the partnership is only for the drilling operation of PL 510.

### 4.8.2 PL 713 Halddi, North Energy 20%

The Halddi prospect is located within the Bjørnøya Basin, approximately 60 km northwest of the Skrugard Discovery (7220/8-1). Halddi is defined as a stratigraphically trapped sand body by a noticeable amplitude anomaly. The reservoir is anticipated to contain a gas cap with an oil leg below. Recent results from Skrugard/Havis indicate that oil may be expected in the area.

**Figure 4.8.2: PL 713 in the Barents Sea**

| | |
|---|---|
| Acquired......................... | 22nd round (2013) |
| Expiry date..................... | 21 June 2017 |
| Blocks ............................ | 7319/11, 12 and 7219/2, 3 |
| Area................................ | 1215 km$^2$ |
| Operator .......................... | Statoil Petroleum AS (40%) |
| Partners .......................... | RN Nordic Oil AS (20%) |
| | Edison International Norway Branch (20%) |
| | North Energy (20%) |
| Work program................ | Drill one firm well |
| Main prospect ................ | Halddi |
| Hydrocarbons................. | Oil/gas |
| Expected drilling............ | Q3 2014 |




**Prospects and leads**

The Halldi stratigraphic trap is fully enclosed in a Paleocene shale-prone mass transport complex with pinches out in all directions, and is interpreted as a slump unit deposited in a deltaic environment. The prospect is estimated to be of Late Cretaceous age, opening up for a new play in the area. In addition to the Halddi prospect, PL 713 contains the Stampa lead that has been identified to the south with an uppermost Cretaceous reservoir in a salt pinch-out trap.

**Potential development solutions**

The Halddi prospect is located approximately 60 km north/northwest of the Skrugard discovery which is about 120 km north of the Snøhvit field. The water depth is approximately 430 metres. The Halddi prospect is expected to contain very dry gas and hardly any condensate. The development scenario assumes tie-in to the Skrugard FPSO, a floating oil production platform including offshore oil offloading.

**Work program**

The operator has suggested drilling in the 3rd quarter of 2014. When this license was awarded from the authorities, the work program contained a commitment to drill one exploration well. The partnership is therefore committed to drill, however, the timing of such drilling is pending the allocation of rig by the operator.

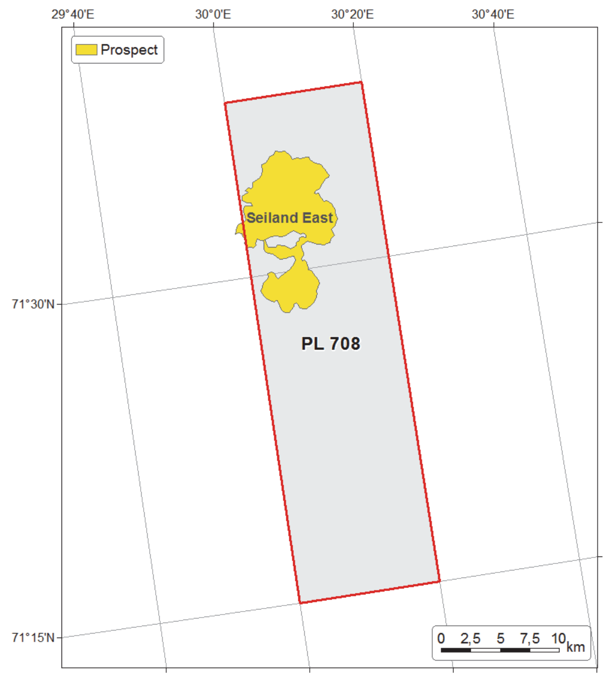
## 4.9 Possible exploration wells in 2014-15

### 4.9.1 PL 708 Seiland East, North Energy 20%

The Seiland East prospect is located on the Finnmark East Platform, some 50 km off the Finnmark coast, in water depth of about 350 metres. The most important play model is the Upper Permian spiculite reservoir. The discovery well 7128/4-1 (drilled in 1993) located 70 km west of the PL 708, encountered oil and gas in Upper Permian Røye Formation spiculite reservoir. The recent oil discovery on Gotha in an analogue play makes the Seiland East prospect and the Finnmark East platform even more interesting. The Seiland East prospect is expected to contain oil with a small gas cap.

**Figure 4.9.1: PL 708 in the Barents Sea**

| | |
|---|---|
| Awarded | 22nd round (2013) |
| Expiry date | 21 June 2018 |
| Blocks | 7130/4 and 7 |
| Area | 507 $km^2$ |
| Operator | Lundin Norway AS (40%) |
| Partners | LUKOIL Overseas North Shelf AS (20%)<br>Edison International Norway Branch (20%)<br>North Energy (10%)<br>Lime Petroleum Norway (10%) |
| Work program | Acquire 3D seismic where 3D coverage exist<br>Decide drill or drop by 21 June 2015 |
| Main prospect | Seiland East |
| Hydrocarbons | Oil/gas |
| Drilling | Late 2014 – Early 2015 |




**Prospects and leads**

The main reservoir in the Finnmark East prospect is a spiculite build-up, situated on a ridge above a northward plunging basement horst. The spiculitic build-up occurs over a thicker carbonate development and the combination of the two strata constitutes the prospect. The Tverrelva lead is underlying the Upper Permian Seiland East prospect. The structural setting is on a north-south to north-northeast/south-southwest trending basement horst. Prospective interval of the Tverrelva Lead comprise the Soldogg, Tettegras and Blærerot formations.

**Potential development solutions**

The Seiland East prospect is located approximately 80 km northeast of the Nordkinn peninsula. The water depth is approximately 350 metres. The development scenario assumes subsea tie-in to the Nordkinn peninsula. The development outline is based on multilateral and deviated subsea wells, subsea templates, infield piping and manifold. The well flow is transported multiphase via pipeline to a Nordkinn onshore oil processing plant. The oil is further transported with shuttle tankers to the market. Produced gas will be transported with the oil and will be returned for injection. Any surplus gas is utilised onshore for power generation, and the subsea installations are being powered by electricity from shore.

**Work program**

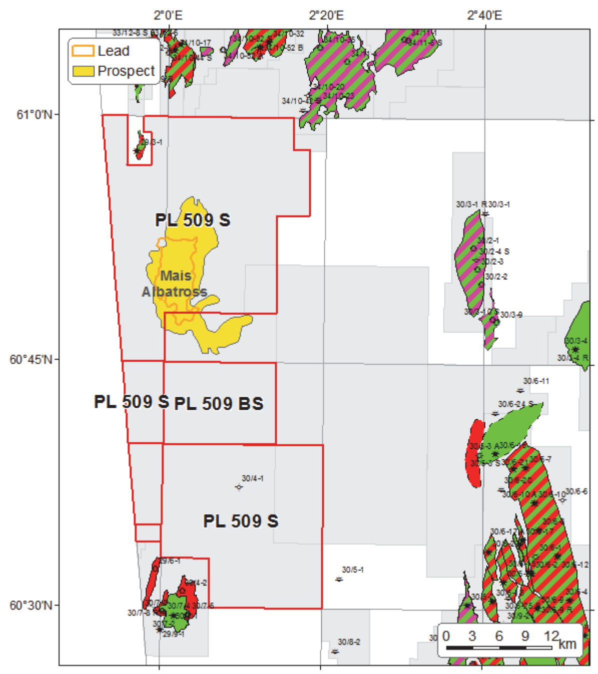
The operator on PL 708 pushes for an early well in the license, aiming for a drill or drop decision in the 2nd quarter of 2014 and drilling by mid-2015.

### 4.9.2 PL 509S Albatross, North Energy 40%

The Paleocene Albatross prospect is located in a mature exploration region approximately 37 km to the north-northeast of the Martin Linge Complex in the northern part of the North Sea. The structural setting covers the western part of the Viking Graben and the transition to the southern part of the Tampen Spur, which is one of the most prolific structural elements for hydrocarbon exploration on the NCS. Thick Eocene and Paleocene sands were encountered on the deep gas and condensate Hild structure and well 30/7-2 (Norsk Hydro 1975) was classified as an Eocene Frigg Formation discovery. Paleocene targets are also prolifically exploited in nearby blocks in the UK as well as in Norwegian Quadrants 24 and 25.

**Figure 4.9.2: PL 509S in the North Sea**

| | |
|---|---|
| Awarded | APA 2008 |
| Expiry date | 23 January 2016, extended by 2 years. |
| Blocks | All levels over top Cretaceous in blocks 29/3, 29/6, 30/1 and 30/4 |
| Area | 859 km$^2$ |
| Operator | North Energy ASA (40%) |
| Partners | Fortis Petroleum Norway AS (50%)<br>Rocksource Exploration Norway AS (10%) |
| Work program | Acquire 3D seismic and reprocess (complete)<br>Decide drill or drop by 23 July 2014 |
| Main prospect | Albatross |
| Hydrocarbons | Oil |
| Drilling | Mid 2015 |




**Prospects and leads**

The primary prospect Albatross is defined as a four-way dip structural closure, within the T8 to T9 Frigg Formation sandstones, located in the north-central margins of PL 509 S extending southward into the APA open area of Block 30/1. The Draupne Formation shales act as the source rock with shales of the Hordaland Group acting as top seal. The primary risks on trap definition are due to complex geology in the overburden causing seismic disturbances, and possible overlying injectite sandstones acting as 'thief' units. The Paleocene Mais lead sits below the Albatross prospect and is hosted by the same four-way dip closure. The Mais lead is considered high risk, with the key risk attributed to reservoir presence. There is, however, potential for this lead to mature into a prospect following a thorough depth conversion on the improved data of the newly acquired NX10M02 3D survey.

**Potential development solutions**

The potential volumes in the Albatross prospect are significant enough to support a new stand-alone production and processing facility. The oil and gas will most likely be exported through the development facilities at the new Martin Linge Field, located 37 km south of the Albatross prospect. In the case of capacity constraints, there are other export alternatives through the Gullfaks, Oseberg or Huldra facilities, located 39 km, 59 km and 34 km away respectively.

**Work program**

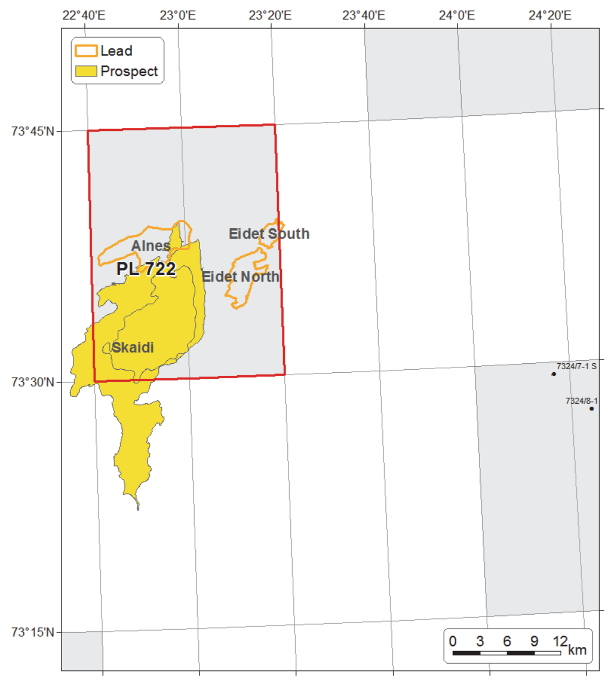
The license has a drill or drop decision on the 23 July 2014. It has been cleared with the authorities that the 90 days notice for a drop decision is not effectuated in PL 509 S and the license will have a decision ready in the 2$^{nd}$ quarter of 2014 with possible drilling in mid-2015. Site survey and well planning is initiated alongside a QC process of the current prospectivity in PL 509S on improved data.

### 4.9.3 PL 722 Skaidi, North Energy 20%

The Skaidi prospect is located northwest of the Maud Basin on the western part of the Bjarmeland Platform. The main reservoir in the Skaidi prospect is located in the lower Snadd Formation and is expected to be oil bearing. A secondary reservoir is mapped in the Permian Isbjørn Formations and is expected to contain gas. With the recent early Jurassic Wisting oil discovery (7324/7-1 S) in PL 537, the Skaidi prospect is located in an attractive area (at 45 km distance). The Wisiting well encountered between 50 and 60 metres of oil at only a few hundreds of meters depth with no indications of biodegradation.

**Figure 4.9.3: PL 722 in the Barents Sea**

| | |
|---|---|
| Awarded........................... | 22nd round (2013) |
| Expiry date ....................... | 21 June 2019 |
| Blocks .............................. | 7322/6 and 7323/4 |
| Area.................................. | 586 km$^2$ |
| Operator ........................... | GDF SUEZ E&P Norge AS (30 %) |
| Partners ............................ | Tullow Oil Norge AS (30 %)<br>North Energy (20 %)<br>Rocksource Exploration Norway AS (20%) |
| Work program .................. | Acquire 3D over entire license area and evaluate acquisition of EM data<br>Decide drill or drop by 21 June 2016 |
| Main prospect .................. | Skaidi |
| Hydrocarbons.................... | Oil/gas |
| Drilling............................. | Likely in 2015 |




**Prospects and leads**

The Skaidi prospect sits within a severely faulted structure, which display structural closures at several stratigraphic levels. Regional studies indicate that PL 722 is located in a near shore setting in late Ladinian to early Carnian time. The mapped prospect at the lower Snadd level exhibit seismic characters suggesting numerous channels within the closure area, and the lower Snadd reservoir is expected to include both channel and overbank facies. In addition to the Skaidi structure, three leads have been identified: the Eidnes North and South leads with reservoirs in Realgrunnen Group and the Alnes Lead with reservoir in the Snadd Formation. The Eidnes North and South leads are low-relief horsts with a high uncertainty in spill point definition, whereas the Alnes lead is a purely stratigraphic trap defined as a channel feature on seismic AVO and corresponding to an EM anomaly.

**Potential development solutions**

The Skaidi prospect is located approximately 120 km northwest of the Norvarg discovery, which is about 225 km north of Melkøya. The water depth is about 410 metres. The Skaidi prospect consists of two main prospects, oil in the Lower Snadd and gas in Isbjørn. In a combined case the oil is produced first and gas production started when oil goes off plateau, about seven years after start up. The development assumes a standalone FPSO with offshore offloading, vertical and deviated subsea wells, subsea templates, infield piping and manifold. The well flow is transported from the templates in a main flowline and further via risers up to the FPSO process plant for separation and processing. The produced oil from Skaidi is offloaded on the field to shuttle tankers. Produced gas in the initial phase is re-injected for gas lift and pressure maintenance. When the gas production starts, gas is transported in pipeline to Norvarg and further to an onshore gas plant.

**Work program**

Re-evaluation of the prospects in the license based on 3D seismic covering the entire license area, and decide on drill or drop. A well is likely to come up in 2015.

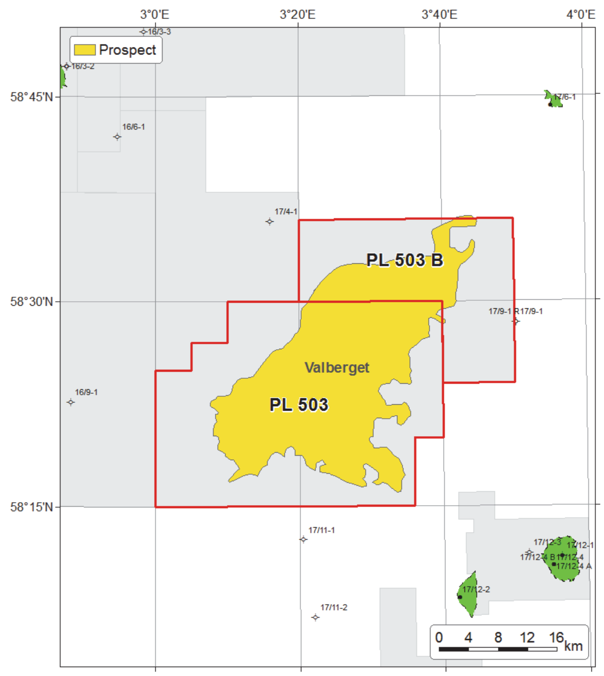
# 4.10 Drill or Drop Licenses in 2014 and 2015

### 4.10.1 PL 503/503 B Valberget, North Energy 12.5%

The Valberget prospect is located in the Northern Permian Basin in the eastern part of the North Sea. The prospect is considered as a high risk/high reward prospect. License PL 360, located west of PL 503 and operated by Statoil, tested an analogue prospect in exploration well 16/8-3 S. The result was negative.

**Figure 4.10.1: PL 503 in the North Sea**

| | |
|---|---|
| Awarded............................ | APA 2010 |
| Expiry date ....................... | 23 January 2017, extended by 1 year. |
| Blocks .............................. | 17/7, 17/8 |
| Area.................................. | 978 km$^2$ |
| Operator ........................... | Lotos E&P Norge AS (25%) |
| Partners ............................ | Skagen 44 AS (25%) |
| | Edison International (25%) |
| | North Energy (12.5%) |
| | Lime Petroleum Norway (12.5%) |
| Work program .................. | Acquire 3D seismic |
| | Decide drill or drop by 23 January 2015 |
| Main prospect .................. | Valberget |
| Hydrocarbons.................... | Oil |




**Prospects and leads**

The license contains the Valberget prospect. The main reservoir is interpreted as Devonian sandstone. Additional prospectivity exists in the younger Rotliegendes sandstone and the Zechstein carbonates. Surface geochemical sampling indicates existence of mature source and expulsion of hydrocarbons in the license area. Basin modelling studies indicate different potential Paleozoic source rocks.

**Potential development solutions**

The Valberget oil prospect is assumed developed with standalone facilities, including a platform center with a quarter-processing platform and two wellhead platforms. Oil can be exported through a 215 km pipeline to the Ekofisk Centre and gas can be exported through a 4 km pipeline hot-tapped in to Statpipe.

**Work program**

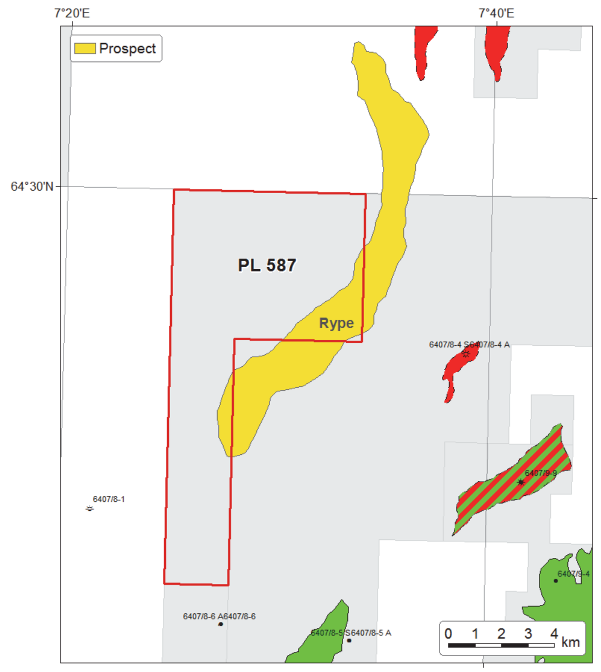
1563 km$^2$ of 3D seismic in summer 2011 has been acquired and reprocessed. A re-evaluation of the prospectivity of the acreage will be completed on the new 3D seismic. The license has been granted an additional year of extension based on application for additional acreage in APA 2013.

### 4.10.2 PL 587 Grenoble, North Energy 40%

The Rype prospect is located in the Norwegian Sea on the south-eastern margin of the Halten Terrace, in the Gimsan Basin, over the hanging wall of the large Bremstein Fault Complex. Stacked reservoir sands are expected in the Garn, Ile Tilje and Åre formations. The prospect extends into PL 348 in the east of PL 587 and into open acreage in the north. The oil discovery in the Snilehorn well (6407/8-6) and side-track in the neighbouring license PL 348 B on similar reservoirs, will have a positive effect on the geological POS on the Rype prospect.

**Figure 4.10.2: PL 587 in the Norwegian Sea**

| | |
|---|---|
| Awarded | APA 2010 |
| Expiry date | 4 February 2018 |
| Blocks | 6407/8 |
| Area | 63 $km^2$ |
| Operator | Edison International Norway Branch (60 %) |
| Partners | North Energy ASA (40 %) |
| Work program | Acquire 3D seismic |
| | Reprocess 3D seismic |
| | Decide drill or drop by 4 February 2015 |
| Main prospect | Rype |
| Hydrocarbons | Oil |




**Prospects and leads**

The Rype closure is a complex structure formed by an extensional forced fold. The Jurassic prospect is sub-cropped underneath the Melke/Spekk shales. It is bound to the east by a basement fault cutting the entire succession and to the west by a reverse fault. The Garn, Ile Tilje and Åre formations are absent east of the prospect due to heavy erosion on the Base Cretaceous level. Regional models show the depositional models to range from a coastal plain to tidal deltaic environment. Production license 587 lies in an overpressure area, with a likely gradient between 1.2 and 1.3 bar/10 metres, however the risk of breaching the top seal is low.

**Potential development solutions**

The prospect is located in 250 metres of waters and approximately 20 km southwest of the Mikkel Field that produces via the Midgard Field to the Åsgard B Platform and 20 km northwest of the Draugen oil and gas platform that is connected to the Åsgard Transport System (ÅTS). The Draugen Field is selected as the most promising candidate for processing, storing and export of gas and condensate from the Rype Prospect.

**Work program**

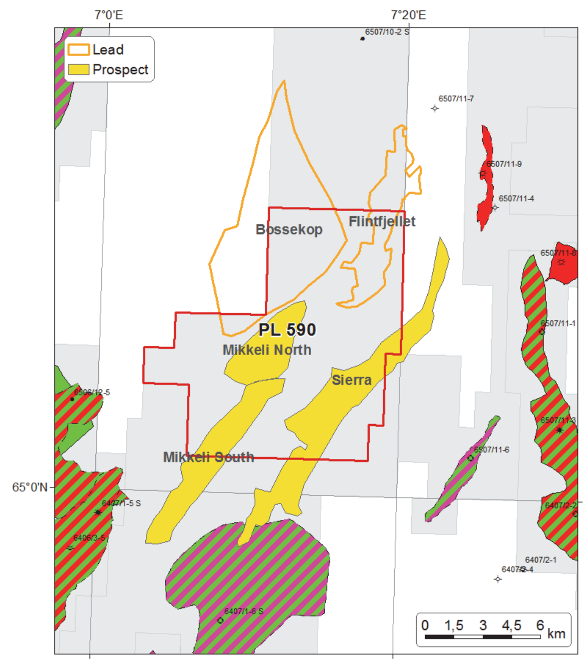
The license has been granted a one year extension based on the discovery on the Snilehorn well and sidetrack in the neighbouring license. The license is currently re-evaluating the Jurassic potential in the southern part of PL 587 and the possible connection to the 6407/8-6 well.

### 4.10.3 PL 590 Sierra, North Energy 30%

The upper Cretaceous Sierra prospect is located in block 6507/10 in the Norwegian Sea. It resides in a highly prolific area on the on the Halten Terrace on the eastern flank of the Grinda Graben, surrounded by the Maria, Tybalt and Smørbukk discoveries. The prospect is expected to contain gas/condensate in the same system of turbidite sand pulses from the north as found in the Rodriguez well in PL 475. The partnership on PL 475 will spud a well on the Solberg prospect in the 1st quarter of 2014. This well is sitting even closer to the Sierra prospect. A discovery on the Solberg well will de-risk the Sierra prospect even further.

**Figure 4.10.3: PL 590 in the Norwegian Sea**

| | |
|---|---|
| Awarded.......................... | APA 2010 |
| Expiry date........................ | 4 February 2016 |
| Blocks .............................. | 6507/10 |
| Area.................................. | 121 km$^2$ |
| Operator ............................ | North Energy (30%) |
| Partners ............................ | Faroe Petroleum (30%)<br>Wintershall Norge ASA (30%)<br>Spike Exploration Holding AS (10%) |
| Work program................... | Reprocess 3D seismic<br>Drill-or-drop or acquire more seismic within 4 February 2014 (Applied for 6 months extension, which is pending) |
| Prospect ............................ | Sierra |
| Hydrocarbons.................... | Gas/condensate |
| Expected drilling............... | Possible drilling 2015 |




**Prospects and leads**

The Sierra reservoir is expected within sands of the Blålange Formation. The trap is purely stratigraphic defined by amplitude brightening at the Intra Blålange level. The main risk on the trap is a Pinch-out zone with high risk of up-dip low-permeability sandstones. In addition to the Sierra prospect, PL 590 comprises the Mikkeli North and South prospects and the Bossekop and Flintfjellet leads. The Mikkeli North and South prospects are fault bounded structures situated in the Grinda Graben with stacked Jurassic oil filled reservoirs belonging to the Garn, Ile, Tilje and Åre formation. The critical risk on the Mikkeli prospects is retention related to fault sealing capacity allowing for limited accumulated hydrocarbon volumes. The Bossekop lead is a closure at the Garn Formation level based on pinch-out of the Garn formation to the northeast and bound by fault in the northwest and southeast. The trap definition is supported by visible flat spots on seismic. The Flintfjellet lead is a Cretaceous Lange Formation lead. The trap is defined by amplitude extraction. On the reprocessed seismic the amplitude anomaly is less apparent for Flintfjellet.

**Potential development solutions**

The Sierra prospect is located approximately 25 km east of the Åsgard B platform, in approximately 260 metres water depth. It is expected to contain a fairly dry gas with limited condensate, and the development is based on subsea wells and subsea templates and manifold. The production will be tied in to Åsgard B, a floating gas production platform with offshore condensate offloading capability. By 2022, gas compression is expected to be in place at Åsgard. The wellstream is transported by pipeline to the Åsgard B platform and further via risers to the topside process plant. Condensate from Sierra will be extracted on Åsgard B and offloaded along with the Åsgard condensate at Åsgard C. The Sierra prospect subsea installations can be powered by electricity from Åsgard B.

**Work program**

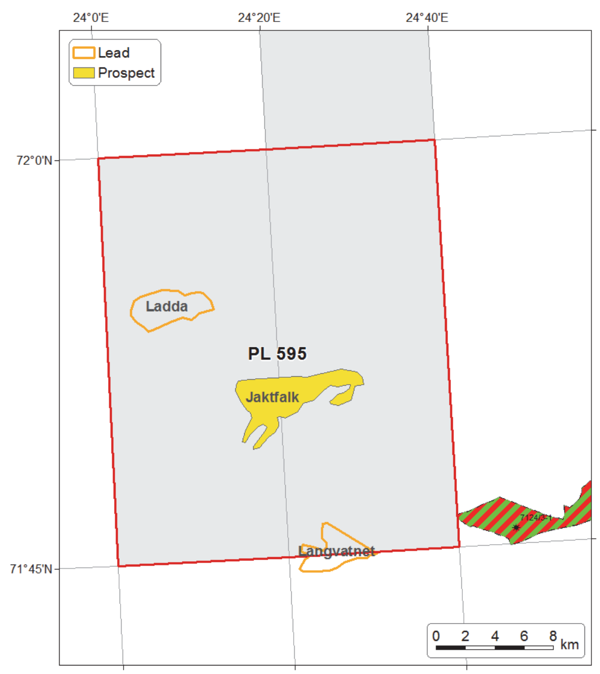
The license has two current alternative suggested work programmes depending on the drill and drop decision in February 2014. Alternative 2 includes well planning and site survey. The license plans for a six month extension in order to base a drill or drop decision on the results of the Solberg well.

### 4.10.4 PL 595 Jaktfalk, North Energy 40%

The Jaktfalk prospect is located 15 km to the northwest of the 7124/3-1 Bamse discovery and 25 km to the west of the 7125/1-1 Binne discovery, in the transition between the Hammerfest Basin and the Nordkapp Basin along the Nyslepp Fault Complex, indicating that the area is oil prone. The prospective structures are horst features, formed during Late Jurassic rifting, with reservoirs expected in upper Triassic fluvial and middle Jurassic marginal marine sandstones.

**Figure 4.10.4: PL 595 in the Barents Sea**

| | |
|---|---|
| Awarded............................ | APA 2010 |
| Expiry date ....................... | 4 February 2019 |
| Blocks .............................. | 7124/1, 2 |
| Area................................... | 646 km$^2$ |
| Operator ........................... | Edison International Norway Branch (60%) |
| Partners ............................ | North Energy ASA (40%) |
| Work program .................. | Acquire 3D seismic<br>Reprocess seismic<br>Decide drill or drop by 4 February 2015 |
| Main prospect .................. | Jaktfalk |
| Hydrocarbons.................... | Oil |




**Prospects and leads**

The Jaktfalk trap is a rotated Jurassic fault block. The prospective intervals comprise reservoirs of the Tubåen Formation and reservoir sandstones occurring within the upper part of the Snadd Formation. Charge analyses predict oil accumulation with a small gas cap in the Tubåen Formation sourced from the Hekkingen Formation, whereas the upper Snadd Formation sands may have been charged with hydrocarbons from Lower Triassic source rocks. The Ladda Lead is a structural high and the Langvatnet Lead is a faulted horst structure. They are expected to contain similar reservoir configuration to the Jøraholmen structure.

**Potential development solutions**

Jaktfalk is modelled as an oil prospect with a gas cap, and the most likely development solution for the mean case is a standalone FPSO (including offshore offloading). From the templates the wellstream is transported to the FPSO for separation of oil, gas and water. The oil is offloaded on the field, and the gas and the produced water is re-injected for pressure support.

**Work program**

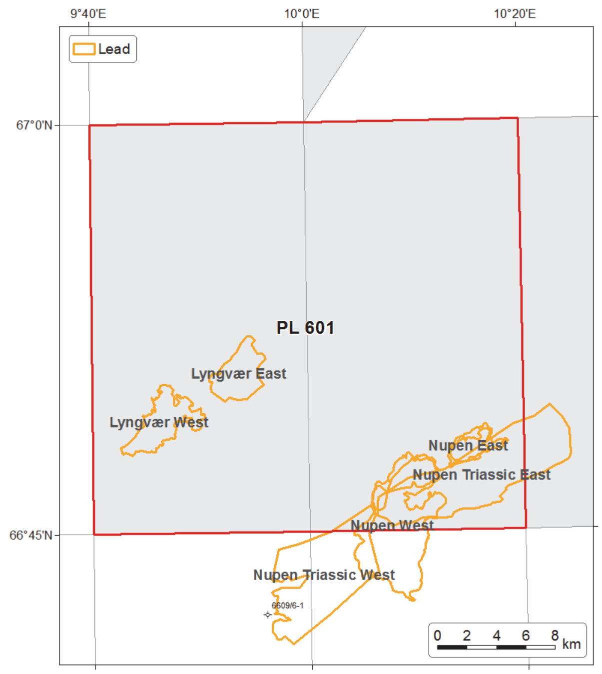
The license has been granted a one year extension to fully evaluate the potential inside the license, including possibilities within the Cretaceous sequence.

## 4.10.5 PL 601 Nupen, North Energy 20%

Production license 601 is located in the northern part of the Træna Basin, extending into the Grønøy High on the Nordland Ridge and the western part of the Vestfjorden Basin. Several oil leads have been identified within the license.

**Figure 4.10.5: PL 601 in the Norwegian Sea**

| | |
|---|---|
| Awarded | 21st round (2011) |
| Expiry date | 13 May 2017 |
| Blocks | 6609/3 and 6601/1 |
| Area | 815 km$^2$ |
| Operator | Wintershall Norge AS (40%) |
| Partners | North Energy ASA (20%)<br>Edison International (20%)<br>Ithaca Petroleum Norge AS (10%)<br>Rocksource Exploration Norway AS (10%) |
| Work program | Acquire 3D seismic<br>Reprocess seismic<br>Decide drill or drop by 13 May 2014 |
| Hydrocarbons | Oil |




### Prospects and leads

The primary Tang Formation reservoir sands are present within four-way closures located in the transition zone between the Træna Basin and the Grønøy High and are interpreted to represent Paleocene to early Eocene deep marine turbidites. The Intra Tang is subdivided into a lower and upper sandy unit divided by mudstone. So far, sands have only been encountered in the lower to middle part of the Tang Formation. However, Upper Paleozoic to Eocene reservoirs may also exist. The Triassic leads are located within rotated fault blocks. The volumes are small and the reservoir quality is not expected to be high.

### Work program

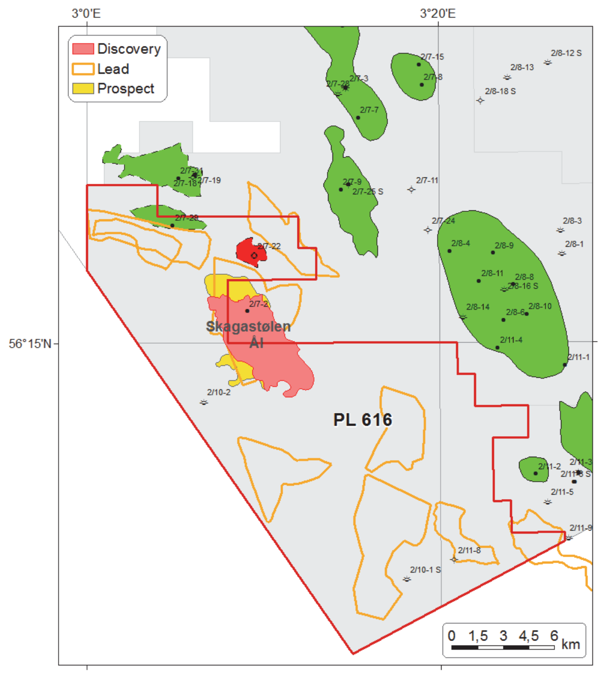
3D seismic has been acquired over area not covered by 3D and reprocessing of seismic data is complete. A decision is to be taken on drill or drop.

## 4.10.6 PL 616 Skagastølen, North Energy 15%

The Skagastølen oil prospect lies within a rich petroleum province containing major fields such as Embla, Valhall and Hod, and has been subject to oil exploration for more than 40 years. Previously, focus was placed on the porous chalk of the Danian Ekofisk and Upper Cretaceous Tor formations and there is a trend of chalk oil fields based on this play just east of the application area. In addition, early exploration wells proved Late Paleozoic potential, such as the Embla Field, which started production from Permian and Devonian reservoir sandstones in 1993.

**Figure 4.10.6: PL 616 in the Norwegian Sea**

| | |
|---|---|
| Awarded............................ | APA 2011 |
| Expiry date ....................... | 3 August 2019 |
| Blocks ............................. | 2/7, 2/10 and 2/11 |
| Area.................................. | 333 km$^2$ |
| Operator ........................... | Edison International Norway Branch (25 %) |
| Partners ............................ | Noreco Norway AS (20%)<br>Concedo ASA (20%)<br>Skagen44 AS (15%)<br>North Energy ASA (15%)<br>Lime Petroleum Norway (5%) |
| Work program .................. | Acquire 3D seismic<br>Decide drill or drop by 3 August 2014 |
| Main prospect .................. | Skagastølen |
| Hydrocarbons.................... | Oil |




### Prospects and leads

One prospect, three unappraised discoveries, and nine leads at different stratigraphic levels have been defined within the production license. The main prospect Skagastølen lies stratigraphically below the unappraised Upper Cretaceous 2/7-2 Ål discovery in PL 018. This well, positioned on the culmination of the Grensen Nose High, was drilled down to Rotliegendes strata, but not deep enough to confirm further Paleozoic potential in Permian and Devonian reservoirs. The Skagastølen Prospect is a four-way closure dissected by north and northwest trending faults, which compartmentalise the prospect. The structure spills to the southwest, along the Grensen Nose High toward the Auk and Ardmore (Argyll) Ridges on the UK side. The Skagastølen prospect is vested within a zone of high pressure and high temperature.

### Potential development solutions

The Skagastølen Prospect is located about 12 km southwest of the Embla Field. The water depth is approximately 75 metres. A possible development solution would be a satellite to the Embla platform with three 4-slots templates. The wellstream will be transported to the Embla wellhead platform and further transported via Eldfisk to Ekofisk for separation into stable oil and gas. The oil will be exported to Teeside through the Norpipe oil pipeline, and the gas to Emden through the Norpipe gas pipeline.

### Work program

3D seismic has been acquired. The partnership is actively working towards a drill or drop decision with workshop and core viewing planned for the 1st quarter of 2014.

## 4.11 Additional information for mineral companies

### 4.11.1 Risk assessment

North Energy uses the GeoX Segment software to simulate the volume distributions of prospects. The volumes are either modelled for 'segments' (= individual reservoir horizons) or several segments aggregated* (when applicable).

The Company calculates Pg = Probability of geological success for each segment in a prospect using this formula:

$$P_g = P_{play} \times P_{charge} \times P_{res\ pres} \times P_{res\ qual} \times P_{trap\ geom} \times P_{seal/retention}$$

*where*

$P_{play}$: Probability of play within a given study area is defined as follows:

$$P_{play} = P_{play\ charge} \times P_{play\ res\ pres} \times P_{play\ seal/retention}$$

For a study area where charge, res pres and seal/retention have been proven by one well to work, the chance for that same play factor to occur shall be set to 1.

$P_{charge}$: Probability of Charge is the chance of a mature source rock being present within the proposed catchments area and that it exhibits the richness and yield to fill the proposed prospect with the modelled hydrocarbon phase with at least the minimum volume. The chance that the migration pathway from the mature source rock into the trap is working as modelled/mapped also constitutes part of this probability.

$P_{res\ pres}$: Probability of reservoir presence is the chance that the proposed reservoir is present in the prospect.

$P_{res\ qual}$: Probability of reservoir quality is the chance that the reservoir is of a quality (n/g, porosity, permeability) as modelled.

$P_{trap\ geom.}$: Probability of trap geometry is the chance that there is an adequate trap shape based on the current mapping.

$P_{seal/retention}$: Probability of seal/retention is the chance of the segment having sealing quality on both top seal, lateral seal, base seal and fault seal relative to timing of migration, and of preserving hydrocarbons (volume/quality) to the present day.

$P_g$ is the chance of finding at least the minimum volume of a given distribution of recoverable resources for each of the segments.

Parameter uncertainties are documented on the pre-defined Prospect Input Sheet before input to GeoX. Static volume parameters, PVT parameters and recovery factors are obtained from the relevant geoscientists and fluid- and reservoir engineers, or from field analogue data.

In addition to using GeoX software, North Energy has developed proprietary software called Create Risk Maps (CRM). This software is used to some extent to create geological risk maps showing the individual components of probability of success for charge, reservoir and seal (in any location within a petroleum basin, including where the mapped prospect segments are located). The software is a supporting tool for the North Energy geologists to achieve a geologically consistent and balanced map view of the geological risks, and thus focus the exploration efforts in areas with high probabilities of success. The CRM development has been a co-operation between North Energy and Tellus Software AS.

*In the case of multiple reservoir horizons, individual segments are aggregated using GeoX and applying relevant dependencies between the segments (reservoir horizons). The resulting POS for the prospect is in this case an output providing the probability that a discovery is made in one or more segments and usually related to the mean of the resultant volume distribution.

## 4.12 LEGAL, ECONOMIC AND ENVIRONMENTAL CONDITIONS AND FRAMEWORK

### 4.12.1 Introduction

The Norwegian Parliament ("Stortinget") exercises the ultimate regulatory authority with respect to petroleum activities on the NCS. The MPE has the overall responsibility for ensuring that the petroleum activities are carried out in accordance with the regulatory framework laid down by Stortinget. The Norwegian Petroleum Directorate (“NPD”), a subordinated agency of the MPE, is responsible for the implementation of resource management policies and the overview of petroleum operations on the NCS. The Petroleum Safety Authority (“PSA”), a subordinated agency of the Ministry of Labour and Social Affairs, is responsible for technical and operational safety, including emergency preparedness and working environment. Policy and legislation concerning taxation of the petroleum industry is handled by the Ministry of Finance (“MoF”), and annual tax assessments are carried out by the Oil Taxation Office.

### 4.12.2 General framework

The legal basis for the Norwegian Government's regulation of the petroleum sector is found in Section 1-1 of the Petroleum Act of 1996, which states that the proprietary right to subsea petroleum deposits is vested in the Norwegian State. The Petroleum Act provides the legal framework for the licensing system, whereby exploration and production licenses are awarded to private and public parties. The Petroleum Act also regulates various aspects of petroleum operations on the NCS, including activities related to the exploration, development, production and transportation of petroleum, as well as abandonment and decommissioning of petroleum installations and thereto related activities.

The level of state participation in the petroleum sector is high. The Norwegian State is the largest stake holder in exploration and production activities on the NCS, through its shareholdings in Statoil and its direct investment in exploration and production assets, the State’s Direct Financial Interest (“SDFI”). The SDFI is managed by the State-owned company Petoro AS.

The legal basis for taxation of offshore petroleum activities is the Act Relating to Taxation of Subsea Petroleum Deposits of 1975.

### 4.12.3 The licensing system

In addition to the general regulations set out in the Petroleum Act and various underlying regulations, petroleum activities on the NCS are governed in detail through specific license requirements, approval requirements, standardized agreements and other mechanisms. Companies can apply for an exploration license for the purpose of certain exploration activities, typically geological and other surveys (excluding drilling to oil-bearing strata) in a certain area. This license does however not give any exclusive rights in the relevant area.

The production license is the main document in the licensing system, and provides the licensee with an exclusive right to explore for (including exploration drilling), develop and produce petroleum in the block(s) covered by the license.

There are two separate schemes for awarding production licenses on the NCS. Production licenses may be awarded through ordinary licensing rounds, which normally are arranged every second year and which often include acreage in new or undeveloped areas of the NCS. In addition, as from 2003, unlicensed acreage in mature areas on the NCS are open for application in annual award rounds, named Awards in Predefined Areas ("APA"). The latter award scheme ensures that areas close to existing and planned infrastructure are available for the industry on a continuous basis. The APA area will be expanded as new areas mature.

Companies can apply for production license awards individually or in groups. To be eligible for license awards, the company must be pre-qualified as a licensee on the NCS. Pre-qualification requires that the relevant applicant fulfils certain criteria regarding organisation, qualifications, financial strength, etc. A prequalification requires that the company has sufficient competencies within the HMS area, either by having it within the organization or by hiring it from consultants. If a company does not have key functions and competence, it will not be pre-qualified. A company is obligated to have sufficient competencies at all times for its duration as license owner. Consequently, licenses could be withdrawn if such competency is missing. There is no direct cash payment to the State in consideration of the award of production licenses or the subsequent development thereof. However, a fee of approx. NOK 100,000 applies for the handling of the license application. An important factor when deciding on the distribution of prospective acreage between competing applicants, is the extent of work obligations and financial obligations offered by each applicant and each applicant's ability to fulfil such obligations.

If the licensee is a subsidiary in a group of companies, the ultimate parent will regularly be required to furnish a parent company guarantee. Such guarantee will cover all obligations undertaken by the licensee towards the Norwegian State, including possible damages caused by petroleum spills. The parent company guarantee needs to be provided on a standard format issued by the MPE.

The production license can be awarded to one or several oil companies jointly, subject to the discretion of the MPE. Where a license group is established, one of the applicants will be appointed operator by the MPE and becomes responsible for the daily operations of the licensees' joint activities in accordance with the production license.

The production license governs the licensees' rights and obligations towards the State and is awarded for an initial period of up to 10 years (will normally be shorter), within which period the specified work programme must be fulfilled. After fulfilment of the work programme, the licensees may require that the license is extended. The extension period may as a general rule be up to 30 years. The licensees can in general retain up to half the acreage covered by the license when entering into the extension period. In APA awards (where the awarded acreage previously have been explored), the MPE will typically require that licensees decide to drill an exploration well within a relatively short time (typically 2 years) or, alternatively, decides to abandon the license ("drill or drop"). An area fee is payable after the initial period, based on the size of the acreage.

As part of the conditions included in the production license, the licensees in a license joint venture are required to enter into an agreement for petroleum activities among themselves. Such agreement consists of certain specific provisions, which set out e.g. the voting rules in the license, and a set of standardised terms in the form of a joint operation agreement (the "JOA") and an Accounting Agreement. The latter regulates the accounting and financial aspects of the license joint venture. The JOA governs the relationship between the licensees, including principles for the day-to-day management of the activities, the allocation of costs, the decision making processes, the operators' duties etc. A management committee is established as the supreme body of the license joint venture, in which all licensees are represented. All petroleum produced is allocated to the licensees in accordance with their shares in the license.

If a petroleum deposit extends over more than one production license, the affected license groups must enter into a unitization agreement which governs the licensees' rights in the shared deposit and which, in practice, will replace the JOA and the Accounting Agreement in relation to such joint deposit. The licensees' rights are divided in accordance with the physical distribution of the deposit between the production licenses. This distribution may be subject to later redetermination which will affect the parties' participating interests in the joint deposit.

Assignments of license interest are subject to the MPE's approval, and also to a tax clearance from the MoF. The MoF will apply a principle of tax neutrality, which means that the seller's gain from the sale shall not be taxable, and the purchaser's costs in acquiring the interest shall not be deductible. Transfer of controlling interests in companies holding production licenses are also subject to approval. In practice, the MPE has distinguished between various levels of control: Negative control (generally, over 33.3%), positive control (generally, over 50%), full control (generally, over 66.7%) and full ownership (will generally apply at 90% as this triggers a squeeze-out right for the shareholder over the remaining shares). The requirement for approval arises when an investor moves from one level to a higher level.

### 4.12.4 Exploration

As mentioned above, while certain exploration activities can be carried out pursuant to an exploration license, exploration drilling (to and in oil-bearing strata) can only be carried out pursuant to a production license. The operator must obtain consent from the PSA and the NPD prior to start-up of drilling operations. Such consent must be obtained for each exploration well. When applying for such consent, the operator must submit detailed information with regard to both technical and environmental aspects of the planned operation, and comprehensive HSE procedures must be in place, including the establishment of emergency preparedness procedures. Permits to discharge to sea and air must also be obtained from the Norwegian Pollution Control Authority and is a part of the consent to drill.

### 4.12.5 Development

In order to develop a petroleum deposit, the license partners must submit a Plan for Development and Operation ("PDO") to the authorities. The PDO sets out, inter alia, the development solution, estimated development costs, production profile for the deposit as well as information regarding decommissioning. Moreover, the PDO shall comprise information on facilities for utilisation and transportation of petroleum.

The PDO must be approved by the MPE, and shall also be presented to Stortinget if the estimated investment is more than NOK 10 billion. According to the provisions of the JOA, the management committee in the license joint venture decides on whether to submit a PDO to the MPE for approval. In addition, each licensee must individually accede to the plan in a separate undertaking towards the MPE. If a licensee does not accede to a PDO, the licensees that have acceded the plan may carry out the project on their own ("sole risk"). The licensee not participating retains its rights in the license acreage outside the area which is comprised by the project.

### 4.12.6 Infrastructure

In order to construct and operate facilities for transportation and utilisation of petroleum, typically pipelines and processing facilities, a Plan for Installation and Operation ("PIO") must be submitted to the MPE for approval (if the facilities are not already comprised by an approved PDO).

Generally, the MPE may decide that owners of transportation and processing facilities shall provide access to third parties. If no agreement for such use is reached, the MPE can impose a solution on the parties. As for the Gassled joint venture, which comprises all material transportation and processing facilities for gas transportation on the NCS subject to third party use as well as receiving terminals in the UK and on the European continent, a general principle of third party access applies. Access may, however, be limited due to capacity constraints.

#### 4.12.7 Production

Based on the PDO, the NPD issues annual production permits allowing the licensees to produce defined volumes of petroleum, considering inter alia, proper resource management. In addition, the licensees need consent to use the installations and permit for discharges and emissions. The NPD's general policy is to ensure maximum depletion of petroleum from reservoirs on the NCS.

#### 4.12.8 Decommissioning

Prior to the cessation of petroleum activities in a producing field, the licensees are required to submit a plan for decommissioning and cessation to the MPE. The MPE then decides, based on the plan, on the obligations to be undertaken by the licensees as regards disposal of the facilities. The decommissioning costs are carried by the licensees and are petroleum tax deductible. Following transfer of a license share, the seller will remain liable on a secondary pro rata basis for decommissioning costs if its successor defaults on its decommissioning obligations.

#### 4.12.9 The Petroleum Tax Act

For companies participating in production and transportation of petroleum products on the NCS, there are two, partially overlapping income tax regimes: ordinary income tax imposed by the general rules in the Norwegian General Tax Act of 1999 (the "GTA") and special petroleum tax on income imposed by the Petroleum Tax Act (the "PTA"). As a result, the total marginal income tax rate for companies engaged in exploration and production activities on the NCS is 78 per cent, consisting of a 27 per cent general income tax and a 51 per cent special petroleum tax levied on income generated by exploitation and pipeline transportation, ref. the PTA Section 5. The petroleum tax applies on a corporation net profit level, not on a ring-fenced basis. Losses generated by other non-petroleum related activities may not be set off against assessed income for special tax (51 per cent) purposes and there are limitations on the right to set of other losses against the general tax (27 per cent) basis.

Taxable income is computed according to the general tax legislation and particular rules set out in the PTA. Gross income generated by oil sales is assessed according to a norm price system, whereby the sales prices are fixed by an administrative body with the objective of arriving at fair market prices. Income generated by gas sales is assessed on actual sales prices.

Although certain important deductible expenses are dealt with in the PTA, the deductibility of expenses for purposes of the special petroleum tax is mainly based on the generally applicable rules set out in the GTA. The timing of deductions for tax purposes generally follows the realization principle, i.e. the deduction right occurs when the expense is unconditionally incurred by the taxpayer. Provisions in the accounts based on prudent accounting principles are generally not deductible for tax purposes.

Financial items, such as interest income and expenses and currency losses and gains etc. are taxable. However, interest expenses and foreign currency items relating to interest-bearing debt instruments are treated separately from other financial items. Such costs generally fall within the offshore tax regime, meaning that they are deductible against income taxed at 78 per cent. However, the amount of such costs deductible against income falling within the offshore tax regime is capped as follows:

$$\text{Offshore tax deduction} = (\text{Interest cost} + \text{exchange gain/loss}) \times 50\% \times \frac{\text{Tax value offshore assets 31.12}}{\text{Average interest-bearing debt}}$$

Any such costs in excess of this cap, together with other financial items, fall within the ordinary corporate tax regime, meaning that they are deductible against income taxed at 27 per cent. If the taxpayer does not have any income which is taxed under the ordinary corporate tax regime from which the excess costs can be deducted, it may deduct an amount from its offshore income but only so as to give it an effective deduction against 27 per cent tax, and not against 78 per cent tax.

For general income tax purposes, depreciation deductions are permitted under a declining balance system. For petroleum tax purposes depreciations of production installations are permitted under a straight-line basis at a rate of 16 2/3 per cent annually from the year in which the investments takes place, i.e. a deprecation over 6 years. In addition to the depreciation allowance offered, an uplift of 7.5 per cent pr. year is granted in the special tax basis for a four-year period for investments in production and pipeline facilities.

Hence, a licensee on the NCS that is subject to Norwegian taxation will be entitled to tax deductions with regard to exploration and production costs (running expenses, net financial items, depreciations and uplift) and transportation costs (tariff payments). Losses for tax purposes may be carried forward indefinitely. Interest is added for losses incurred in 2002 and subsequent years. The calculated interest is added to loss carry forward at the end of each year.

#### 4.12.10 Refund of tax value of exploration costs

Companies which are not in a tax position may annually claim a refund from the State of the tax value of direct and indirect costs, except financial charges, incurred as part of the exploration for petroleum resources. The tax value is set to the total of direct and indirect costs multiplied by the tax rate, currently at 78 per cent. The refund will reduce the tax loss carry forward correspondingly. The amount of exploration costs may not exceed the annual net loss from the petroleum activities of the taxpayer, ensuring that the costs are not already set off against taxable income.

#### 4.12.11 Transfer of license interests

All (direct or indirect) assignments of petroleum production licenses on the NCS are subject to approval by the MPE under the Petroleum Act Section 10-12 and by the MoF under the PTA Section 10. In generally applicable regulations dated 1 July 2009, the MoF has decided that certain defined transaction structures may be completed without individual approval under the PTA Section 10, provided that the parties submit certain information to the MoF and the oil taxation authorities.

For transactions which are not pre-approved under the regulations mentioned above, the parties to such transactions will have to apply for an individual approval from the MoF. The MoF may stipulate specific conditions, which also deviate from the general tax legislation. The guiding principle for the MoF's approval is that transactions shall be revenue neutral to the State, i.e. that the total anticipated tax payments of the buyer and the seller before and after the transaction shall remain unchanged. Practice concerning such transactions has undergone considerable changes over the years, but will now follow the most recent guidelines issued by the MoF on 1 July 2009.

According to the guidelines, the existing tax balances (depreciation and uplift) will (as the main rule) be transferred from the seller to the buyer with the assets. Thus, there will be no step up of the tax balances as a result of the transaction.

#### 4.12.12 Economic considerations

The total cost of an exploration well is very variable. Amongst others, the total cost of an exploration well depends on the economic interest of the company in the exploration well, the depth of the drilling target, the type of pressure that is expected in the well, the location of the well on the NCS, whether there will be a sidetrack well and the testing program. These parameters will, amongst others, in combination determine what type of rig that will be necessary for the drilling operation and the duration of the operations. The requirements for rig specifications are often higher in the Barents Sea due to harsh weather conditions and environmental considerations. Consequently, more expensive operations are required, as most logistic centres and available helicopters are located in the southern part of Norway.

## 4.13 Research and development, patents and licenses

The Company holds no patents or licenses that are business critical or any other significant patents, except the production licenses described in 4.6 above which as a whole are business critical to the Company.

## 4.14 Trend information

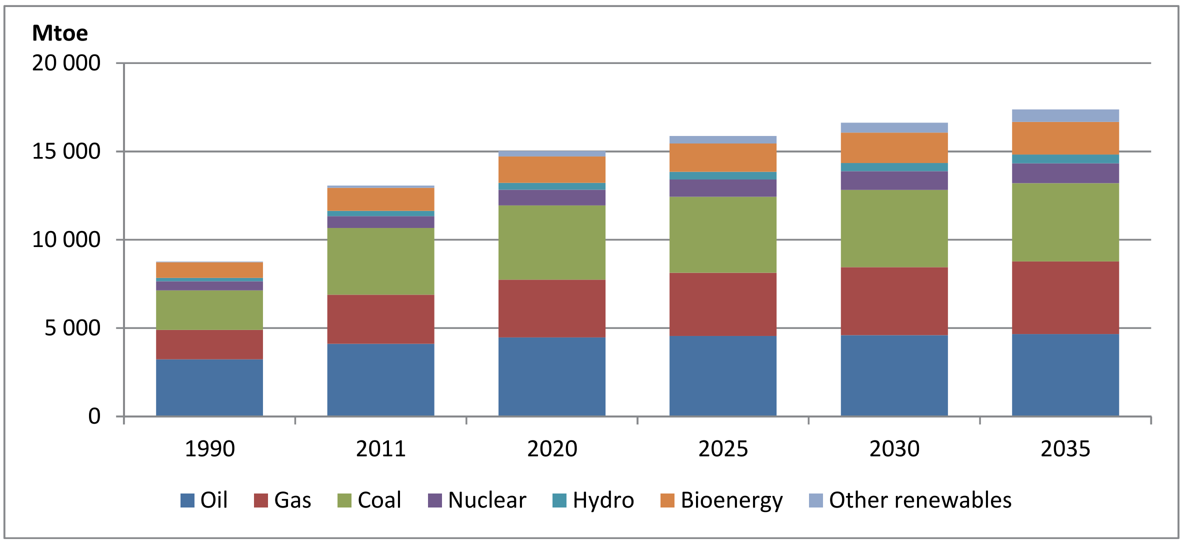
The Company has not experienced any trends that are significant to the Company between 31 December 2013 and the date of this Prospectus. The Company has not experienced any trends or significant events that are expected to have a material impact on the Company for 2014 or 2015.

# 5 MARKET OVERVIEW

## 5.1 The global energy market

Global energy consumption is driven by world population, economic growth and availability of resources. Overall consumption has grown consistently and seen a steady increase throughout modern economic history. Going forward, energy consumption is expected to increase for all forms of energy, primarily as a result of increased consumption in emerging economies as well as a growing global population and expanding economy. According to BP's 2013 Statistical review of World Energy, oil is the most consumed source with an annual consumption of 89.8 million barrels per day in 2012. The world consumption of primary energy, including oil, natural gas, coal, nuclear, hydro power and other renewable energy, increased by 2.1% in 2012. In the same period, global oil consumption increased by 1.1%, equivalent to 0.9 million barrels per day.

**Figure 5.1: Global Energy Consumption**




Source: IEA World Energy outlook 2013

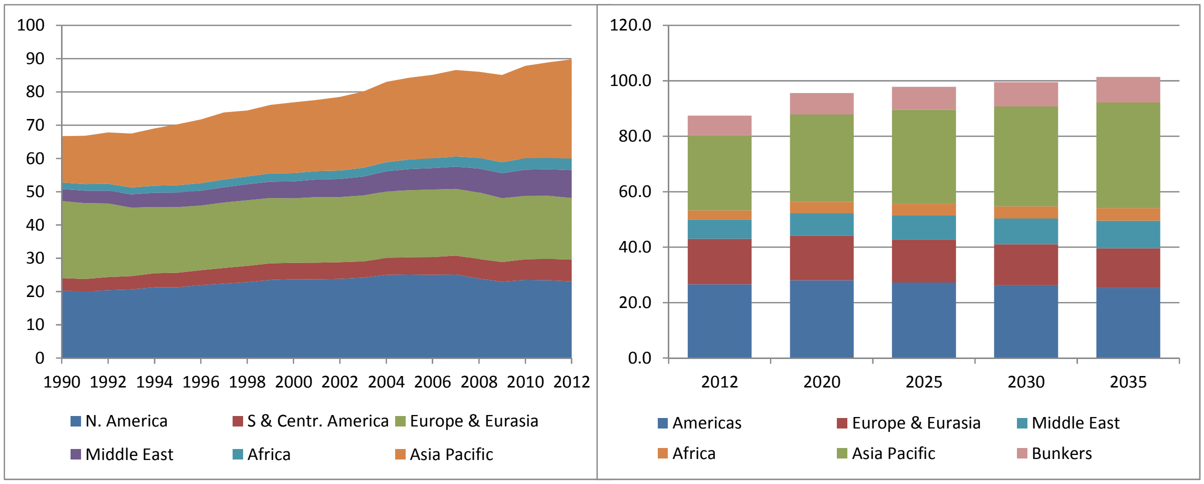
## 5.2 Overview of the oil market

### Oil consumption

Oil is the world's primary source of energy and in 2012 global oil consumption was approximately 89.9 million barrels per day. Oil consumption has grown consistently over the past decades, and from 2000 to 2012, consumption increased by 17% on a global basis. According to IEA's World Energy Outlook, global oil consumption is expected to continue to increase going forward, growing to 101.4 million barrels per day in 2035. Oil is used for a wide array of purposes including transportation, petrochemical processes for feedstock, power generation and agriculture. Currently, oil used for transportation in the form of, inter alia, gasoline, diesel and jet fuel is the main source of oil consumption globally, constituting 53% of global consumption in 2012[1]. Transportation is expected to be a key source of consumption growth going forward, constituting 58% of global oil consumption in 2035[1]. Geographically, the largest consuming countries in 2012 were the United States (18.6 million barrels per day) and China (10.2 million barrels per day). Consumption is today fairly evenly distributed between OECD and non-OECD countries with approximately 50% of consumption from each of the groups. Going forward, as a result of, inter alia, increased fuel efficiency and stricter environmental policies, consumption in OECD countries is expected to decrease while global consumption is expected to increase overall due to strong consumption growth in emerging economies. From 2012 to 2035 oil consumption in non-OECD countries is expected to increase by 49%, primarily driven by growing consumption in China, India and the Middle East. Figure 5.2.1 below shows the historic and expected future development in geographical consumption, as well as current and expected mix of oil consumption going forward.

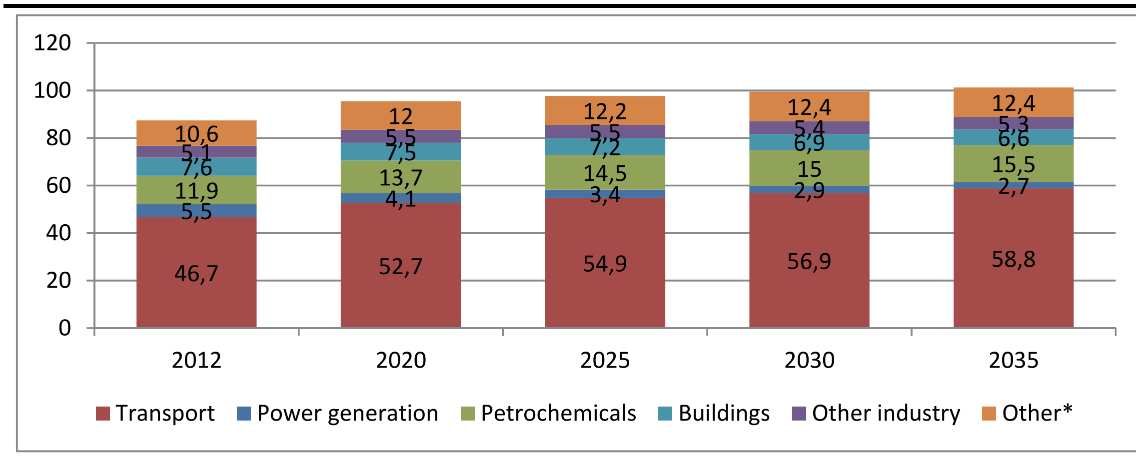
[1] Source: IEA World Energy Outlook 2013

**Figure 5.2.1: Global Oil Consumption growth and composition (mmbbls/day)**




Source: Left chart: BP Statistical Review of World Energy 2013, available at http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html; Right chart: IEA World Energy outlook 2013

**Figure 5.2.2: Global oil demand by sector (mmbbls/day)**




Source: IEA World Energy Outlook 2013. *Other includes agriculture, transformation and other non-energy use (mainly bitumen and lubricants)

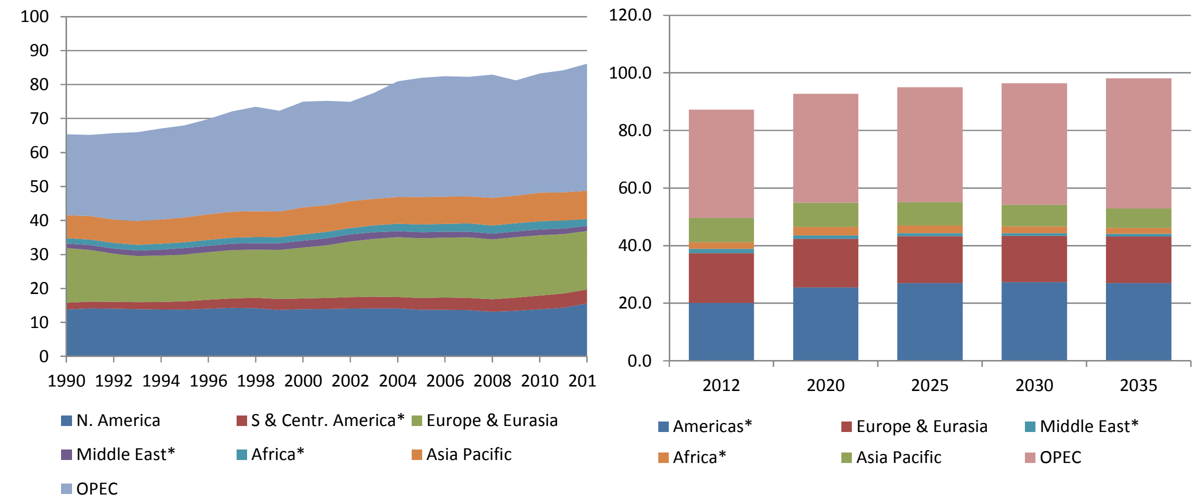
### Oil production and reserves

Oil is found in large quantities on most continents of the world. Crude oil production is active in all major populated continents and in 2012 the global production totalled an estimated 86.2 million barrels per day[2]. The largest producers are Saudi Arabia (11.5 million barrels per day), Russia (10.6 million barrels per day) and the United States (8.9 million barrels per day). From 2000 to 2012, production grew at an annual compounded rate of 1.2% per year, and production grew in all major regions of the world however with varying growth between nations. In the period, Russia was the largest growing producer, growing its oil production from 6.6 million barrels per day in 2000 to 10.6 million barrels per day in 2012 (62 per cent growth). Other countries with large production growth were Saudia Arabia, the United States, Canada, Qatar, Angola and Kazakhstan, all growing daily production by more than 1 million barrels per day in the period. Simultaneously, production declined significantly in the North Sea in the period, with the United Kingdom and Norway seeing production declining by 1.7 and 1.4 million barrels, respectively. Going forward, oil production growth

[2] Source: BP Statistical Review of World Energy 2013, available at http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html

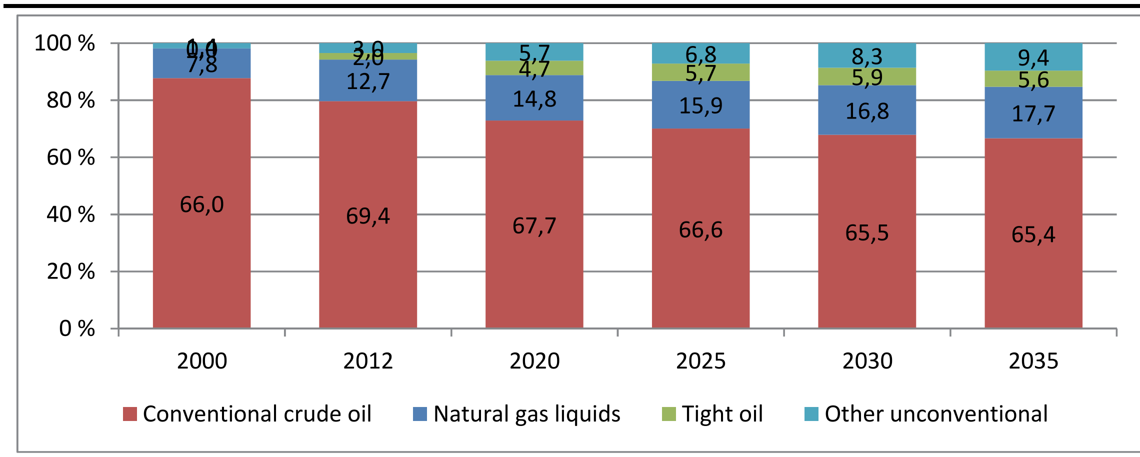
is expected to be dependent on increased output from OPEC[3], as well as increased unconventional oil production, including Canadian oil sands, tight oil and extra heavy oil, while conventional oil production is expected to decline due to natural production decline in existing fields and reduced rate of production from new conventional fields. Production from OPEC countries is expected to be the main source of growth, growing from 37.6 million barrels per day in 2012 to 45.2 million barrels per day in 2035[4]. Within OPEC, increased production from Iraq as a result of an improved security situation, enhanced infrastructure availability and renewed activity in the region drives activity. Further, unconventional extra-heavy oil production from Venezuela is expected to contribute more than 2 million barrels per day in 2035, from around 0.6 million barrels per day in 2012. Figure 5.2.3 shows the historic development in global oil production per country from 1990 to today[5] and the expected production composition going forward, while figure 5.2.4 shows the expected product composition of global oil production from 2012 to 2035[1].

**Figure 5.2.3: Global oil production by region (mmbbls/day)**




Source: Left chart: BP Statistical Review of World Energy 2013, available at http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html. Right chart: IEA World Energy Outlook 2013. *Non-OPEC

**Figure 5.2.4: Global oil production by product (mmbbls/day)**




Source: IEA World Energy Outlook 2013.

In terms of reserves, nearly half of the total proved reserves in the world today are located in the Middle East, primarily Saudi Arabia, Iran, Iraq, Kuwait and the United Arab Emirates. In total, 73 per cent of remaining proven reserves are

[3] OPEC member countries: Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela

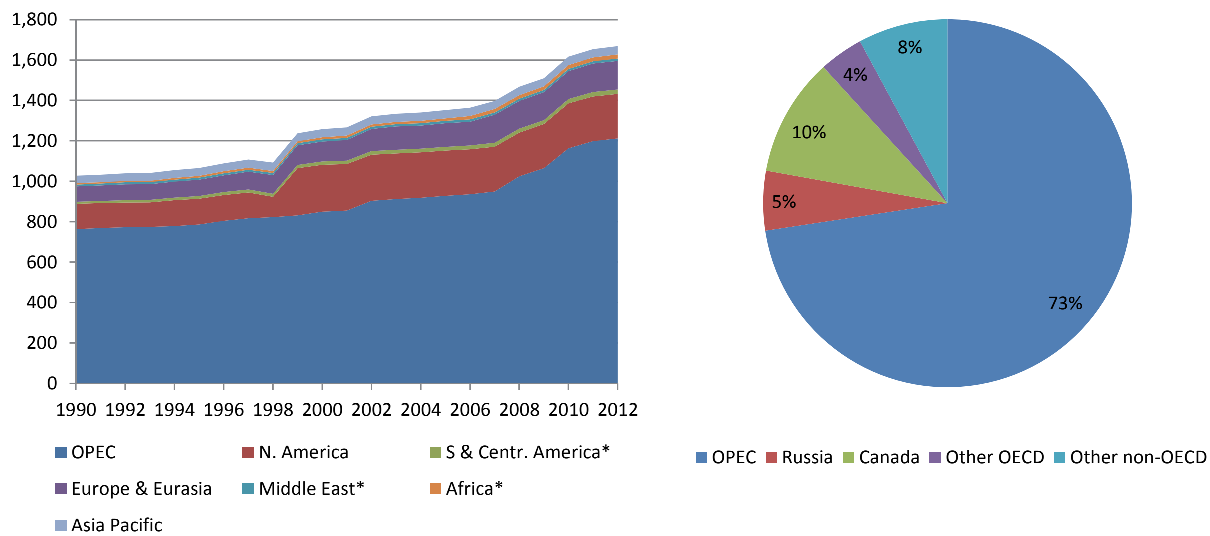
[4] Source: IEA World Energy Outlook 2013

[5] Source: BP Statistical Review of World Energy 2013, available at http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html

held by the OPEC members. Other large reserve pools are located in unconventional resources in Canada (oil sands) and Venezuela (extra heavy oil), which will require significant investments and technology improvements in order to commercially develop. Of the remaining oil reserves in the world, a large proportion is owned by state owned entities. In 2012, nearly 80 per cent of the world's proven plus probable reserves, including both conventional and unconventional oil, are controlled by national oil companies ("NOCs") or their host governments. In addition, NOCs also hold those reserves with by far the lowest average development and production costs. Remaining reserves are shared between major oil companies (13%) and independents (7%). A large portion of NOCs tend to focus primarily on supplying their national markets, or are subject to political supervision, which may impact rate of production and flow of sales, while activities of privately owned companies including major oil companies, independents and certain NOCs are geared towards shareholders' interests and market signals. Due to the strategic importance of oil as a key source of energy supply in the modern economy, as well as a large portion of the world's remaining reserves being controlled by politically influenced national entities and located in countries that are members of OPEC, future production and supply of oil may be influenced by factors outside the course of normal market functions. This could in the future, as has been demonstrated in the past, have material impact on the trade of oil between countries, as well as the price of oil.

Figure 5.2.5 below shows the historical development in proven oil reserves, as well as the current composition between OPEC and main non-OPEC countries.

**Figure 5.2.5: Global oil reserves (mmbbls/day)**



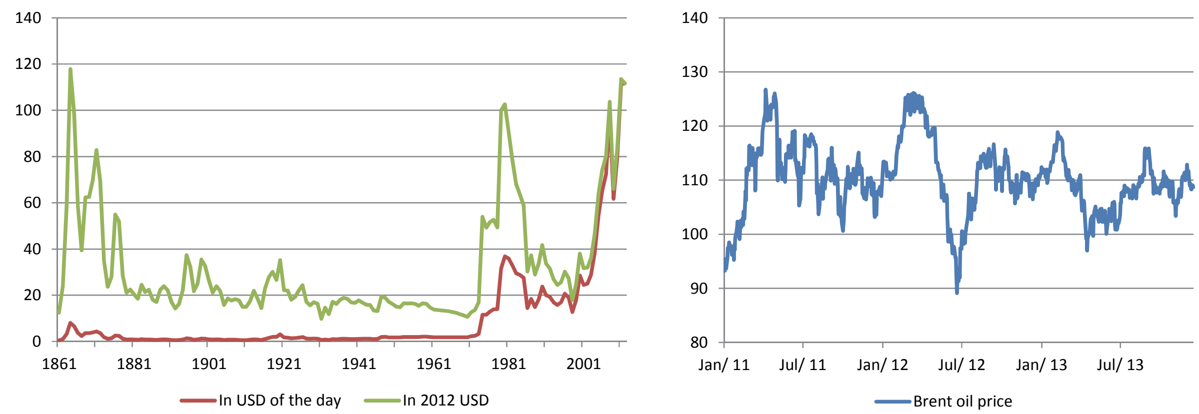

Source: BP Statistical Review of World Energy 2013, available at http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html.

## 5.3 The oil price

Oil is a commodity with a well-developed world market. The prices are determined on the world's leading commodities exchanges, with NYMEX in New York and the IPE in London as the most important markets for the determination of world oil prices. Prices are determined by the weight of the oil, with WTI, the main benchmark for NYMEX, as the lightest of the main benchmarks in oil pricing. Brent Crude, the main benchmark for IPE, is slightly heavier. In recent years, brent price has emerged as the benchmark price of oil sales in global markets, including West Africa.

Oil prices have historically experienced significant fluctuations, but have in recent years stabilized in the region between USD 90 to USD 120 per barrel (Brent prices). The oil price is highly dependent on the current and expected future supply and demand of oil, and is as such influenced by global macroeconomic conditions and may experience material fluctuations on the basis of economic indicators, material economic events and geopolitical events. Historically, oil prices have also been heavily influenced by organizational and national policies, most significantly the implementation of OPEC and subsequent production policies announced by the organization. Figure 5.3 below shows the historical development in the price of crude oil from 1861 to 2012[6], as well as the development in Brent prices from 2011 until today[7].

**Figure 5.3: Development in crude oil prices**




Source: BP Statistical Review of World Energy 2013, available at http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html. InFront Online Trader

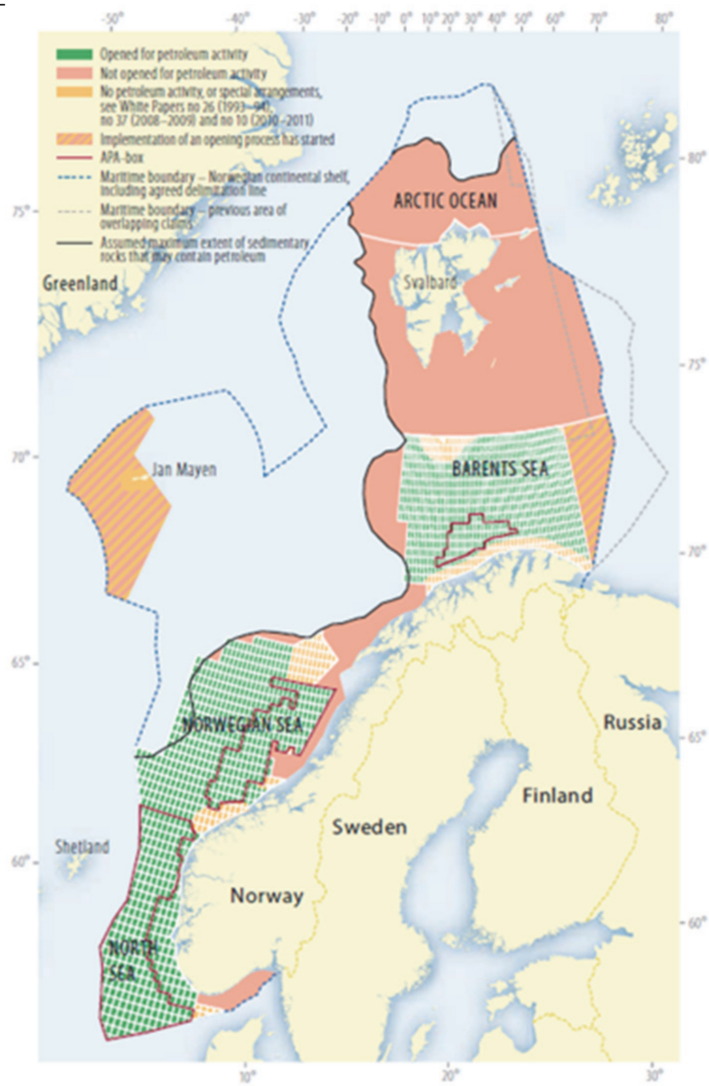
## 5.4 The Norwegian Continental Shelf

The NCS is the continental shelf over which Norway exercises sovereign rights as defined by the United Nations Convention on the Law of the Sea and the Norwegian Petroleum Act. Its major parts are the shelves of the North Sea, the Norwegian Sea and the Barents Sea.

[6] Source: BP Statistical Review of World Energy 2013, available at http://www.bp.com/en/global/corporate/about-bp/energy-economics/statistical-review-of-world-energy-2013.html

[7] Source: InFront Online Trader

**Figure 5.4: The Norwegian Continental shelf**

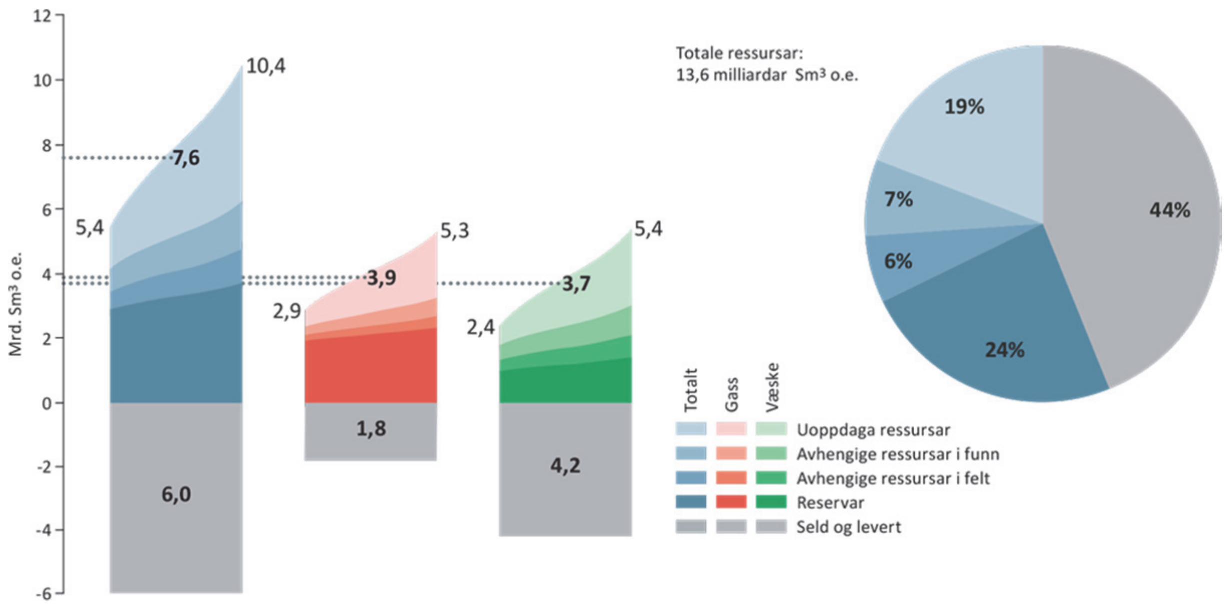



Source: Norwegian Petroleum Directorate, Facts 2012, available at: http://www.npd.no/en/Publications/Facts/Facts-2012/

### 5.4.1 Production on the NCS

The discovery and subsequent development of Ekofisk in 1969 marked the beginning of oil exploration and production on the NCS. Although most of the NCS has reached its mature phase, there are still large reserves in the province remaining to be found or produced. As of year-end 2012, NPD estimates in its annual resource accounts, that the total recoverable resources on the NCS are approximately 85.5 bboe. Out of this, approximately 37.5 bboe have been produced.

**Figure: Distribution of petroleum resources by maturity as of 31 December 2012**




Source: Norwegian Petroleum Directorate, 2012, available at http://www.npd.no/en/Publications/Facts/Facts-2012/

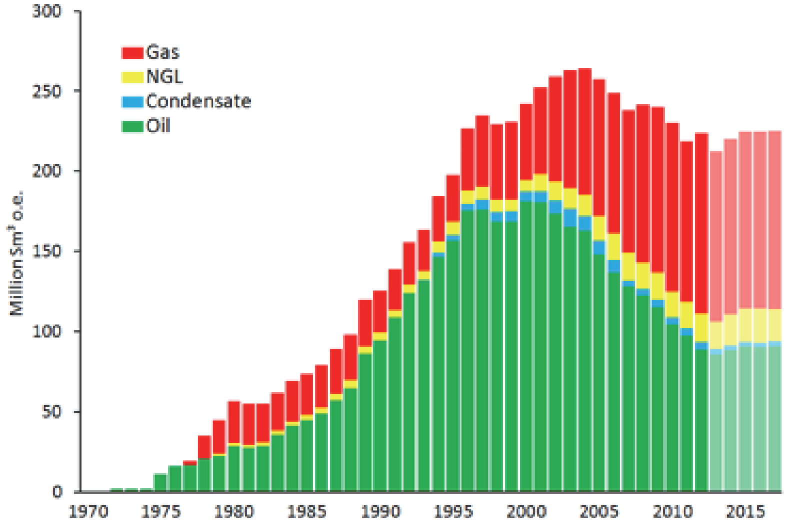
The oil production from existing fields on the NCS has peaked and is declining. Oil production in 2012 was 89 million Sm³ (1.53 million bbls per day), compared with 97 million Sm³ (1.67 million bbls per day) in the previous year. 68 fields contributed to the total oil production in 2012. 2012 oil production was almost five per cent lower than the Norwegian Petroleum Directorate's autumn 2011 estimate. Two main reasons explain the discrepancy: delayed production start-up for some fields, as well as some prolonged unplanned shutdowns of producing fields due to repairs and tie-in of new facilities.

Continued investments in the drilling of new development wells and other measures to improve recovery are important for the oil production on the NCS,

In 2012, 114.8 billion Sm³ gas was sold (112.8 billion $Sm^3$/40 MJ), representing an increase of four billion $Sm^3$ compared with 2011 (five per cent).

Production of condensate and NGL for 2012 were 4.5 million Sm³ and 17.5 million $Sm^3$ respectively. NPD’s total liquid production estimate is 106 million Sm³ o.e. (1.83 million bbls o.e. per day).

**Figure: Production development (1 $Sm^3$ = 6.29 barrels)**

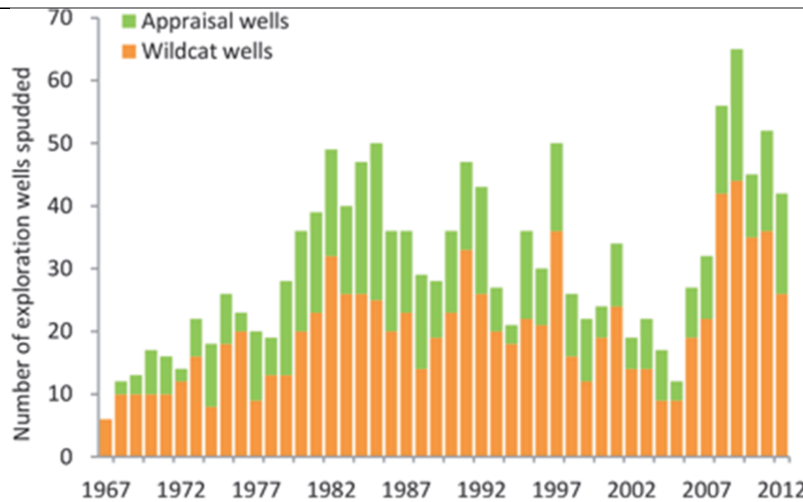



Source: Norwegian Petroleum Directorate, Facts 2013, available at http://www.npd.no/en/Publications/Facts/Facts-2013/

In order to increase the production and tap the resource potential on the NCS, the oil industry has to increase its exploration efforts. The number of wildcats (oil wells in an unexplored area) and appraisal wells being drilled on NCS were historically low until 2005, but started to increase thereafter, due to the Norwegian government's ambition to increase drilling on the NCS. The number of spudded exploration wells reached a record high of 65 wells in 2009. In 2012 42 wildcat wells were commenced.

The development in exploration activity is illustrated in the figure below.

**Figure: Exploration and appraisal wells 1966-2012**




Source: Norwegian Petroleum Directorate, Facts 2013, available at http://www.npd.no/en/Publications/Facts/Facts-2013/

### 5.4.2 Measures for increasing production on the NCS

Production from existing oil fields on the NCS is declining, and a step-up in exploration activity combined with increased production from existing fields, is needed to reach government stated production goals. Among the measures taken to stimulate increased exploration are (i) a more flexible and effective exploration policy (i.e. increasing acreage available for exploration and increasing the number of licenses awarded), (ii) increasing the number of companies on the NCS, and (iii) tax incentives to encourage companies to increase the exploration activity. These measures are briefly described in the following.

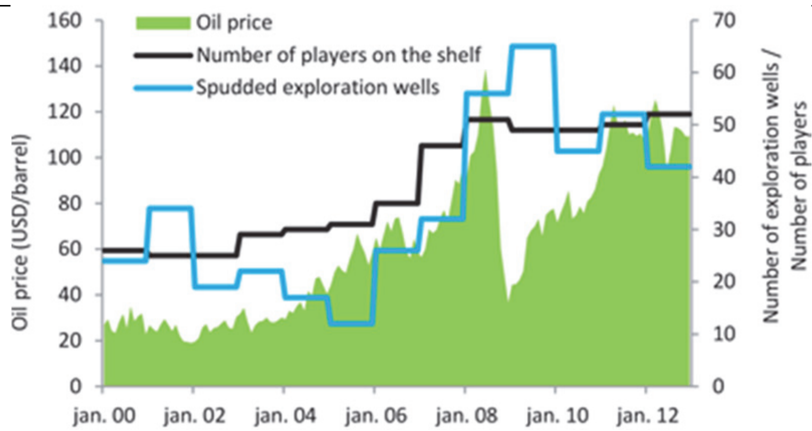
**Increased acreage**

A first measure taken by the government to increase the activity on the NCS was to increase the acreage available for exploration, both in mature and immature areas. To increase the activity in mature areas the Norwegian government started to award new production licenses annually in 2003 (APA – "Awards in predefined areas"). Since the first APA round in 2003, the APA acreage has been expanded several times and for the APA 2012 comprised a total of 199,054 square kilometres. APA 2013 was announced on 21 January 2014. At the deadline of 11 September 2013, the area available for applications consisted of 103,029 km$^2$ out of this total.

**Increased number of companies on the NCS**

In addition to increasing the acreage available for exploration, the Norwegian government also expressed its desire to increase the number of companies on the NCS. The Norwegian government acknowledged that the interest among many of the established players for mature areas on the NCS is moderate, and have stressed the importance of new and creative solutions to increase the production on the NCS. The criteria for award of licenses in APAs and Licensing Rounds are factors like technical quality of the application, demonstrated quality of the company and the proposed work program. There is no upfront payment for the production licenses, however, a fee of NOK 100,000 applies for the handling of the license application, which are awarded by the MPE based on a full technical evaluation by the NPD. The MPE is required to make its decision on the basis of objective, non-discriminatory and published criteria. The authorities have a strong focus on attracting technically competent companies that can contribute to the development of the NCS and have therefore introduced a prequalification system. All new oil companies have to be prequalified by the authorities before they can be awarded or acquire interests in production licenses. This system ensures that only companies with proper and relevant competence and systems in place, as well as the necessary financial resources, are approved as licensees on the NCS. The chart below shows the number of players on the NCS from 2000 measured against increased exploration activity.

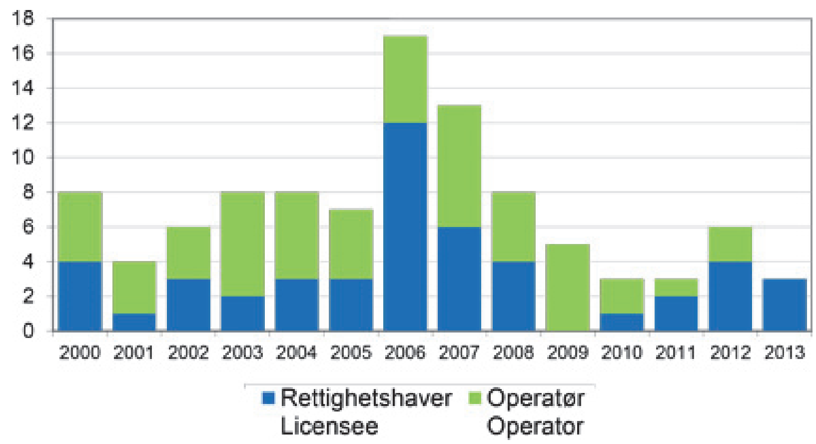
**Figure: Number of players, spudded exploration wells and oil price**




Source: Norwegian Petroleum Directorate, Facts 2013, available at http://www.npd.no/en/Publications/Facts/Facts-2013/

The figure below gives a more comprehensive overview of prequalification and requalification of players since the start of the Norwegian prequalification programme in 2000. The total number of new and still existing companies since 2000 is 68, of which 43 are prequalified as operators.

**Figure: Pre-qualifications since 2000**




Source: Norwegian Petroleum Directorate, as of 27 August 2013, available at http://www.npd.no/en/topics/production-licences/theme-articles/pre-qualification/

The competition on the NCS is strong as illustrated by the increasing number of active companies and applicants for new acreage. There is a wide range of companies active on the NCS, ranging from the super-majors and national oil companies such as BP, ExxonMobil and Statoil to the smallest exploration companies such as North Energy. The availability of acreage, skilled personnel and not at least capital are all challenges faced by smaller companies without a full cycle portfolio. In broad terms the players on the NCS can be ranked into three categories; i) large full cycle companies with significant cash flow from production to fund field developments and exploration, ii) smaller producing companies engaged in new field developments and exploration, and iii) exploration companies with some discovered resources but without any cash flow from producing fields. North Energy fits into the latter category.

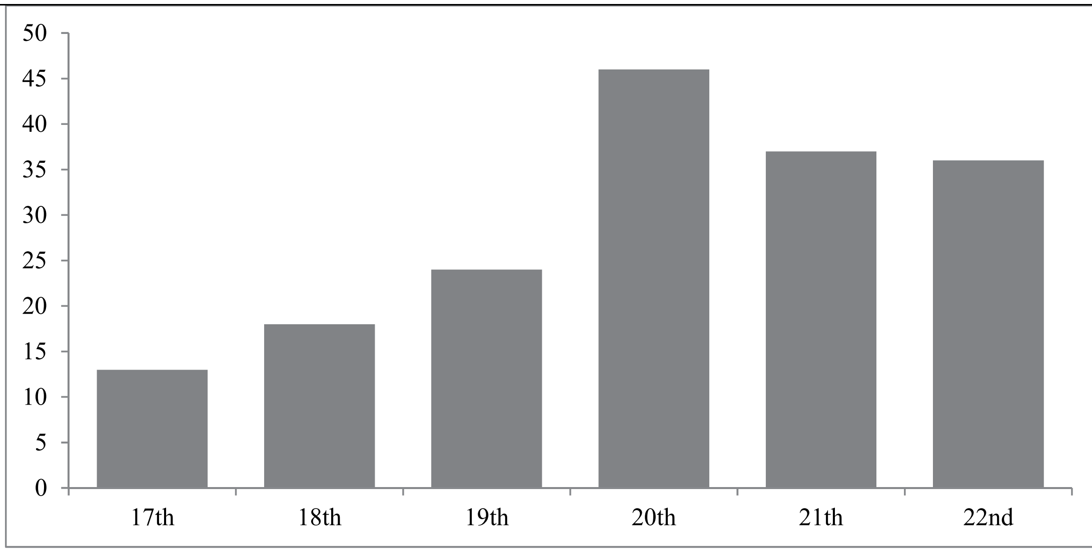
**Tax incentives**

Companies which are not in a tax position may annually claim a refund from the State of the tax value of direct and indirect costs, except financial charges, incurred in exploration for petroleum resources. The tax value is set to the total of direct and indirect costs multiplied by the tax rate, currently at 78 per cent. The refund will reduce the tax loss carry forward correspondingly. The amount of exploration costs may not exceed the annual net loss from the petroleum activities of the taxpayer, to ensure that the costs are not already set off against taxable income.

## 5.5 Increasing interest for the Northern waters in Norway

There is a strong interest for new acreage offshore Mid and Northern Norway. An increasing number of players are building up acreage positions in the Norwegian Sea and the Barents Sea. In the 22nd licensing round most of the large players on the NCS applied for acreage in these areas, hereof 5 out of 7 Super Majors, 9 out of 9 Utilities and 12 out of 15 Large- & Mid-Caps. 29 companies were awarded licenses out of the 36 companies that applied.

**Figure – Applicants in the last numbered rounds**




Source: Norwegian Petroleum Directorate, available at http://www.npd.no/en/Topics/Production-licences/Theme-articles/Licensing-rounds/

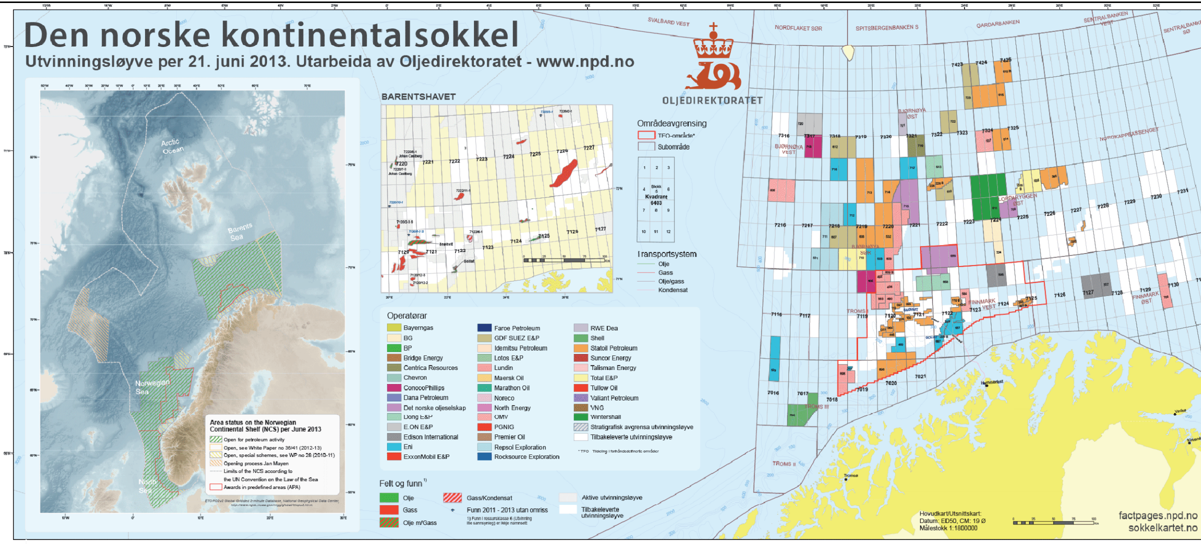
Compared to the North Sea, both the Norwegian Sea and in particular the Barents Sea are in a less mature phase with 77% of the estimated recoverable resources still in the ground. As of year-end 2012, the NPD estimates total remaining recoverable resources in these areas to be around 20.3 bboe, representing 42% of the total estimated remaining resources on the NCS. Of the 20.3 bboe, 11.4 bboe is estimated in the Norwegian Sea and 8.9 bboe in the Barents Sea.

### 5.5.1 Unopened areas

There are still large areas of the Norwegian continental shelf that have not been opened for petroleum activities by the Norwegian Parliament (the "Stortinget"). This applies to all of the northern Barents Sea, the eastern part of the southern Barents Sea, the north-eastern Norwegian Sea (Troms II, Nordland VII and parts of Nordland IV, V and VI), coastal areas off Nordland County, Skagerrak and the area around Jan Mayen. The general rule for unopened areas is that Stortinget must resolve to open an area for petroleum activities before a licensing round can be announced. The basis for such decisions must include preparation of an impact assessment to consider factors such as economic and social effects, as well as the environmental impact the activities could have for other industries and the surrounding districts.

At present, there are two ongoing opening processes; one for the areas around Jan Mayen and a second for the south-eastern Barents Sea area.

**Figure: Norwegian Barents Sea per June 2013**




Source: Norwegian Petroleum Directorate, available at http://www.npd.no/en/Maps/

### 5.5.2 Competition

North Energy's exploration activity is influenced, inter alia, by access to exploration acreage, access to seismic data and access to drilling rigs.

Access to exploration acreage is awarded by the authorities on a regular basis (see Section 5.4.2 for further information) or through the farm-in market. Such access is considered to be significant, with most competition affecting exploration acreage containing oil prospects close to existing infrastructure. North Energy has, with its large number of license awards in recent licensing rounds, been considered one of the winners amongst financial analysts following North Energy and its peers.[8] North Energy received six awards in the 22nd Concession Round.. The Company aims to maintain a leading position in the Barents Sea.

In order to make high quality decisions and provide high quality applications for license awards, North Energy purchases seismic data for the relevant exploration acreage. Documentation that the Company has access to high quality seismic data bases is a competitive factor during license awards. There is a high number of seismic providers and strong competition amongst such providers. Consequently,  access to seismic data is not a limiting factor for the Company.

The drilling cost per well is highly influenced by the cost of renting drilling rigs. The market for rigs is large and competition among drilling rig providers is considered fierce. Several oil and exploration companies have decreased their activity on the NCS which, in turn, has decreased the cost of rigs in recent quarters.

As North Energy's exploration related expenses are eligible for 78% tax refund (see Section 4.12.9), the impact of fluctuations in rig rates or seismic costs is limited to 22% for North Energy's share of costs. Consequently, North Energy currently has limited exposure to fluctuations in cost for key factors such as rigs and seismic data.

Farm in and farm out of licenses is a part of an exploration company's way of financing and balancing its exploration portfolio. Companies typically aims to farm out of licenses which they have less expectations to than its peers. In such case, the farm out of a license can provide cash settlement or a carry/subsidize of drilling expenses in exchange of a license share. Companies typically aim to farm in to licenses which they have higher expectations to than their peers. In such case, the farm in of license may have to be paid in cash or carry/subsidize the drilling expenses in exchange of a license share. Motivation for farm ins and farm outs can also be to balance out portfolio risks, for example if a company only has gas prospects in a certain region, the company may be exposed to only gas price volatility and regional geology risks and may wish to farm into oil prospect and gas prospects in another region for diversification purposes. (i.e. to avoid having all its eggs in one basket. )

[8] Christian Yggeseth (Arctic Securities) – analysis dated 9 July 2013

# 6 LEGAL STRUCTURE

The North Energy Group consists of the parent company North Energy and the subsidiaries set out in the table below.

| Name | Country of incorporation | Ownership interest and voting rights |
|---|---|---|
| North Energy ASA | Norway | |
| 4sea Energy AS | Norway | 100% |

**North Energy ASA (Norway)**

See section 4.1 for further corporate details. As of the date of this Prospectus, North Energy ASA has 40 employees.

It is contemplated that, going forward, North Energy shall be the main operational company within the group and the entity that holds all of the group's production licenses.

**4sea Energy AS (Norway)**

4sea Energy AS (organisation number 897 083 092), a private limited liability company incorporated and registered in Norway, is a wholly owned subsidiary of North Energy ASA. The company has its registered business office in Alta, Norway. In December 2012, 4sea Energy sold its production licenses PL 498, PL 503 and PL 503B to North Energy and its oil exploration activities ceased to exist from that date. North Energy entered into a share purchase agreement dated 23 November 2009 with all the shareholders of 4sea Energy for the acquisition by the Company of all the shares in 4sea Energy. 4 sea Energy is today a dormant company without any fixed assets or employees.

# 7 BOARD, MANAGEMENT AND EMPLOYEES

## 7.1 Board and senior management

### 7.1.1 Description of the Board

The table below sets forth the composition of the Company's current Board:

| Name | Position | Served since | Term expires |
|---|---|---|---|
| **Current Board members** | | | |
| Johan Petter Barlindhaug | Chairman | 04.09.2007 | Annual general meeting 2014 |
| Jogeir Romestrand | Board member | 13.02.2014 | Annual general meeting 2016 |
| Harriet Hagan[9] | Board member | 26.02.2008 | Annual general meeting 2014 |
| Anders Onarheim | Board member | 13.02.2014 | Annual general meeting 2016 |
| Heidi M. Petersen | Board member | 20.05.2010 | Annual general meeting 2014 |
| Alexander Krogh | Board member | 22.05.2013 | Annual general meeting 2015 |
| **Board members during 2013** | | | |
| Gunnar Hvammen | Board member in 2013 | 29.05.2013 | Extraordinary general meeting 2014 |
| Peter Mellbye | Board member in 2013 | 29.05.2013 | Extraordinary general meeting 2014 |
| Ane Rasmussen | Board member in 2013 | 28.01.2013 | 25 January 2013 |
| Leif Finsveen | Board member in 2013 | 26.02.2008 | Annual general meeting 2013 |
| Ola Krohn-Fagervoll | Board member in 2013 | 24.05.2013 | Annual general meeting 2013 |

The Board is responsible for supervising and administering the Company's affairs and for ensuring that the Company's business and operations are organised in a satisfactory manner.

The Company's business address; Markveien 38B, 9510 Alta, Norway, serves as c/o addresses for the members of the Board in relation to their directorships of the Company. Founder Johan Petter Barlindhaug is still a director of the Company.

**Johan Petter Barlindhaug (born 1940), Chairman**

Mr. Barlindhaug has established the largest combined consulting, development and engineering company in Northern Norway, and several smaller industrial firms in that part of the country. In his career he has been a director in various large companies, public institutions and research institutions. In addition he is a national expert on the northern areas, and one of the leading experts on Russian oil and gas industry in Norway. He is also behind a range of consequence analyses in the intersection between fish, sea transport and oil and gas. In addition, Mr. Barlindhaug has been awarded Commander of the Royal Norwegian order of St. Olav for his services to society. Mr. Barlindhaug is a Norwegian citizen with residence in Tromsø, Norway.

**Jogeir Romestrand (born 1961), Board member**

Mr. Romestrand has been in the oil service business for 30 years in different leading positions. Over a period of 25 years, he has occupied different positions such as CEO, founder and Chairman in Odim ASA. He has also held several board memberships and been Chairman of the board within various companies. He holds a bachelor's degree and several management courses. Mr. Romestrand is a Norwegian citizen with residence in Ulsteinvik, Norway.

**Harriet Hagan (born 1956), Board member**

Mrs. Hagan is Managing Director in Origo Nord and Origo Kapital AS in Alta. She has been working with the financing and management of North Energy from an early phase. Hagan has a master in business administration from the Norwegian School of Economics and Business Administration (NHH), and a.o. has working experience from the market department of Statoil. She has experience from board memberships from a range of companies. Mrs. Hagan is a Norwegian citizen with residence in Alta, Norway.

[9] 26.02.2008-20.05.2010 and from 11.05.2011.

**Heidi M. Petersen (born 1958), Board member**

Mrs. Petersen (born 1958) is an independent businesswoman. She holds an M.Sc. degree from University of Trondheim (now NTNU). From 2000 to July 2007, she was the Managing Director of Future Engineering AS and Rambøll Oil & Gas AS, (Future Engineering AS was sold to Rambøll Group AS in 2004). Petersen was employed at Kværner Oil & Gas from 1988, where she worked as an engineer, project manager and department manager for both offshore and onshore industrial assignments before she became the head of Kværner Oil & Gas in Sandefjord in 1997. She headed a management buy-out there that led to the start-up of Future Engineering in 2000. Petersen has extensive experience from board memberships at industrial as well as oil and gas-based operations, and from energy supply and financial enterprises. She currently chairs the board of Future Subsea AS and sits on the Board of Arendal Fossekompani ASA, Cecon ASA, Eitzen Chemicals ASA, Calora Subsea AS and Glamox ASA. Mrs. Petersen is a Norwegian citizen with residence in Sandefjord, Norway.

**Anders Onarheim (born 1959), Board member**

Mr. Onarheim is currently CEO and board member of Spitsbergen AS. He has extensive knowledge within management, business development and capital markets after holding the position of managing director in companies within the investment bank Carnegie Group for more than 16 years. He has previously worked internationally with Goldman Sachs and Merrill Lynch. He has held several board memberships within different investment firms. Mr. Onarheim holds an MBA from Washington University in St. Louis, where he graduated in 1986. Mr. Onarheim is a Norwegian citizen with residence in Norway.

**Alexander Krogh (born 1975), Board member**

Alexander Krogh (worker director) has 10 years of international experience from the container and port department in A P Møller-Mærsk A/S as finance manager and analyst in Japan, Korea, Romania, the Netherlands and Denmark. He has been employed by North Energy since 2010 as finance manager, investor contact and contract manager. He has a Master of Science in Business Administration ("Siviløkonom") from the Norwegian School of Economics and is a chartered financial analyst. Mr. Krogh is a Danish citizen and resident in Alta, Norway.

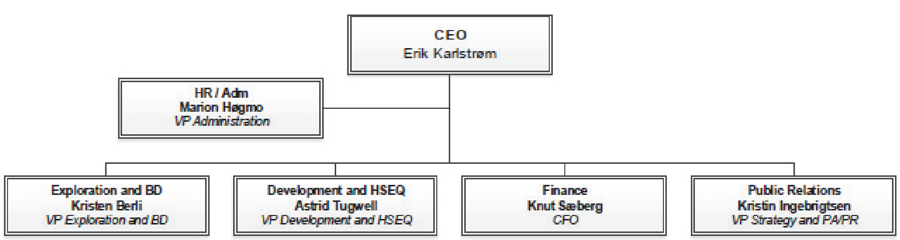
### 7.1.2 Senior management

The Company's senior management is responsible for the daily management and the operations of the Company.

The Company's business address, Markveien 38B, 9510 Alta, Norway, serves as c/o address in relation to the senior managements' employment in the Company.

The figure below is an overview of the organizational structure of the Company's senior management.

**Figure: Organisational overview**




**Erik Karlstrøm (born 1956), CEO**

Mr. Karlstrøm is the CEO and was the first employee of the company. Mr. Karlstrøm came from the German gas utility group RWE where he worked for 20 years, most recently as Deputy General Manager of RWE Egypt with responsibility for exploration. As the Exploration Manager in Egypt, Mr. Karlstrøm was, inter alia, involved in the discovery of a number of gas fields in the Nile delta. Before this, Karlstrøm worked six years for Mobil in the US and Stavanger. Mr. Karlstrøm has been leading the exploration committee of the Norwegian Oil Industry Association (OLF). Mr. Karlstrøm is a graduate engineer in geophysics from the Norwegian Institute of Technology (NTH) in Trondheim, and is originally from Talvik in Alta. Mr. Karlstrøm is a Norwegian citizen with residence in Alta, Norway.

**Knut Sæberg (born 1959), CFO**

Mr. Sæberg was hired as CFO in March 2009 and is responsible for the company's finance and ICT functions. Mr. Sæberg came from Optimera Gruppen where he had been CFO since 2002 with main focus on restructuring, acquisition and divestments of businesses. Prior to this, Mr. Sæberg was the CFO in NMD ASA where he played an important role in the company's adaption to the deregulation of the pharmaceutical market. From 1984 to 1995 he held different positions in Shell, working, inter alia, with the establishment of the finance organisation in the Troll project. Mr. Sæberg has a Master of Science in Business Administration ("Siviløkonom") from Kristiansand in 1984. Mr. Sæberg is a Norwegian citizen with residence in Asker, Norway.

**Kristen Berli, (born 1957), VP Exploration Business Development**

Kristen Berli became vice president for exploration and business development with effect from 1 June 2013. He came from PGS, where he served for a number of years as vice president for business development in the multi-client department. Before joining PGS, Berli had held such posts as exploration manager for the Tampen area at Hydro, exploration manager for the UK and Ireland at Saga Petroleum and manager for exploration at the Norwegian Petroleum Directorate.

Mr. Berli studied petroleum prospecting at the Norwegian University of Science and Technology (NTNU), and has joined North Energy with a solid exploration and geophysical background. Mr. Berli is a Norwegian citizen with residence in Stavanger, Norway.

**Astrid M. Tugwell, (born 1963), VP Development Manager and HSEQ**

Mrs. Tugwell joined the company as Development Manager in February 2008. Mrs. Tugwell has a solid background within reservoir development and has also held positions within economics and planning, license management and project management. She began her career with a short engagement in the Norwegian Petroleum Directorate before joining Shell International and later Norske Shell. During this time Mrs. Tugwell participated in a wide range of European and Norwegian projects from Exploration drilling to late life field development, including the initial screening and concept selection for Ormen Lange gas field development. Mrs. Tugwell's last position for Shell was development leader for the Draugen field on Haltenbanken. Mrs. Tugwell comes from Øksfjord in Loppa Kommune and is a graduate engineer within Petroleum Engineering from Strathclyde University in Glasgow. Mrs. Tugwell is a Norwegian citizen with residence in Alta, Norway.

**Marion Høgmo, (born 1956), VP Human Resource and Administration Manager**

Mrs. Høgmo has held the position as Human Resource and Administration manager since March 2008. Mrs. Høgmo's speciality is organisational development and management, and in the period from 2000 to 2008 Mrs. Høgmo worked as bank executive in both SpareBank 1 Nord-Norge and Nordea. Mrs. Høgmo has studied business administration, management and pedagogy at Finnmark University College, law at the University of Oslo, and has a master in business administration and management from Buskerud University College. Mrs. Høgmo is from Øksfjord in Loppa. Mrs. Høgmo is a Norwegian citizen with residence in Alta, Norway.

**Kristin Ingebrigtsen, (born 1963), VP Strategy and PA/PR**

Mrs. Ingebrigtsen was appointed Director of the Strategy & Public Relation from 1 June 2011. Mrs. Ingebrigtsen has broad international experience in export sales and management. Mrs. Ingebrigtsen is a former fund manager in ProNord AS and CEO of Såkorn Invest Nord AS. Mrs. Ingebrigtsen has completed financial, market and administration studies at the University in Bodø and Norwegian School of Economics. Mrs. Ingebrigtsen has extensive experience in export sales, administration and management from 20 years in the Rapp Marine Group. Mrs. Ingebrigtsen also has broad experience from directorships in various companies. Mrs. Ingebrigtsen is a Norwegian citizen with residence in Bodø, Norway.

### 7.1.3 Conflict of interests

Mr. Barlindhaug, chairman of the board, has through his wholly owned company Barlindhaug AS, entered into a consultancy agreement with the Company, see further details in section 9.4.1 and 9.4.3 below. Other than the mentioned agreement, no potential conflict of interest between senior management's and the Directors' duties to the Company and their private interests and/or other duties have been identified. The Directors and senior manager have no interests (other than their shareholdings in the Company, as disclosed in this Prospectus), nor any conflicting interests, that are material to the Shares.

Mr. Barlindhaug is director and (with family members) the sole owner of JBP AS, which owns 2.9% of the shares in the Company. Harriet Hagan is managing director of Origo Kapital AS which owns 1.2% of the shares in the Company. Heidi M. Petersen owns, through Luuna AS, 45,000 shares in the Company. Alexander Krogh owns 8,500 shares. Jogeir Romestrand owns 250,000 shares in the Company.

All the Directors are independent of the Company's major business relations and management.

### 7.1.4 General

Except for as set out below, during the last five years preceding the date of this Prospectus, no Director or senior manager has been subject to any convictions in relation to indictable offences or convictions in relation to fraudulent offences, nor has any Director or senior manager received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company. Except for as set out below, no Director or senior manager has been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his capacity as a founder, Director or senior manager of a company.

Director Harriet Hagan was a chairman of Praktisk Teknologi which was declared bankrupt in 2011, and also CEO of Origo Kapital AS which was fined by the Financial Supervisory Authorithy for crossing the ownership of 5% in North Energy on 23 December 2011 without sending a stock market notification in time.

### 7.1.5 Directorships and positions

Over the five years preceding the date of this Prospectus, Directors and senior management hold or have held the following directorships (apart from their directorships of the Company) and leading positions. For directorships the denominations "C" and "BM" states the position as either Chairman of the Board ("C") or ordinary Board member ("BM") in the relevant companies.

| **The Board:** | **Current directorships/positions** | **Previous directorships/positions (last 5 years)** |
|---|---|---|
| Johan Petter Barlindhaug | Directorships:<br>JPB AS (C)<br>Frisheim (C)<br>Brink AS (BM)<br>Honningsvåg Brygge AS (BM)<br>MAPO AS (BM)<br>NOFI AS (BM)<br>NOFI Tromsø Eiendom AS (BM)<br>Perpetuum AS (BM)<br>North Energy ASA (C)<br><br>Position:<br>Friskheim AS (CEO)<br>Brink AS (CEO) | Directorships:<br>MAPO AS (C)<br>Perpetuum AS (C)<br>Barlindhaug AS (C)<br>Sydvaranger AS (C)<br>Universitetsykehuset i Nord Norge (C)<br><br>Position:<br>None |
| Jogeir Romestrand | Directorships:<br>North Energy ASA (BM)<br>Rome AS (C)<br>Neptune Offshore AS (BM)<br>Impact Engineering AS (C)<br>Eco Stim Energy Solution Inc. (BM)<br><br>Position:<br>Rome AS (CEO)<br>Rome Eiendom III AS (CEO) | Directorships:<br>Polarcus (BM)<br>Evotec AS (BM)<br><br>Position:<br>None |
| Harriet Hagan | Directorships:<br>North Energy ASA (BM)<br>Pbbl Holding AS (C)<br>Amie AS (C)<br>Andritz Hydro Hammerfest AS (BM)<br>Polarlys Boligbyggelag AL (C)<br>Tollevika Utbygging AS (C)<br>Kirkenes Utbygging AS (C)<br>North Energy (BM)<br>Norut Alta (BM) | Directorships:<br>Odin AS (C)<br>Origo Kultur AS (BM)<br>Hindtåsen Boliger AS (BM)<br>Polyfemos AS (C)<br>K2 Solutions AS (C)<br>Nordkapp Næringshage AS (BM)<br>OK IT AS (C)<br>Destinasjon 71 Grader Nord AS (BM)<br>Norinnova AS (BM)<br>Verdde AS (BM) |

| | | |
|---|---|---|
| | | Origo Økonomipartner AS (C)<br>Hammerfest Strøm AS (BM)<br>Nordlysbadet AS (BM)<br>Tieman Kraft AS (BM) |
| | Position:<br>Amie AS (CEO)<br>Origo Nord AS (CEO)<br>Origo Kapital AS (CEO) | Position:<br>None |
| Anders Onarheim | Directorships:<br>North Energy ASA (BM)<br>AB Investment AS (C)<br>Spitsbergen AS (BM)<br>Reach Subsea ASA (BM)<br>Norwegian Crystal AS (BM)<br>Arkipel AS (BM)<br>Ly Forsikring AS (BM)<br>Bio Active Foods AS (C)<br>BW LPC Ltd. (BM) | Directorships:<br>Carnegie ASA (BM)<br>OE Eiendom AS (C) |
| | Position:<br>Spitsbergen AS (CEO) | Position:<br>Carnegie ASA (CEO)<br>D. Carnegie AB (CEO) |
| Heidi M. Petersen | Directorships:<br>North Energy ASA (BM)<br>Future Subsea AS (C)<br>Luuna AS (C)<br>Cecon ASA (BM)<br>Eitzen Chemical ASA (BM)<br>Calora Subsea (BM)<br>Rever Offshore (BM)<br>Treschow-Fritsøe AS (BM)<br>Glamox ASA (BM)<br>North Energy ASA (BM)<br>Arendal Fossekompani ASA (BM) | Directorships:<br>Sandefjord Airport (C)<br>TS-Production Partner AS (C)<br>TS Group AS (C)<br>Technical Support AS (C) |
| | Position:<br>Luuna AS | Position:<br>None |
| Alexander Krogh | Directorships:<br>North Energy ASA (BM)<br>4 sea energy AS (BM)<br>Polarlys Boligbyggelag AL (BM) | Directorships:<br>None |
| | Position:<br>North Energy ASA (Manager, Finance, IR and Contract)<br>4 sea Energy AS (CEO) | Position:<br>Maersk Korea Ltd. (CFO) |

| **Senior management** | **Current positions/directorships** | **Previous directorships/positions (last 5 years)** |
|---|---|---|
| Erik Karlstrøm | Position:<br>None | Positions:<br>None |

| | | |
|---|---|---|
| | Directorships:<br>None | Directorships:<br>None |
| Knut Sæberg | Position:<br>None<br><br>Directorships:<br>4 sea Energy AS (C) | Positions:<br>Optimera Gruppen AS (CFO)<br><br>Directorships:<br>Optimera AS (BM)<br>Optimera Svenska AB (BM)<br>Optimera Danmark AS (BM) |
| Kristen Berli | Position:<br>None<br><br>Directorships:<br>None | Positions:<br>PGS (BD)<br><br>Directorships:<br>None |
| Astrid M. Tugwell | Position:<br>None<br><br>Directorships:<br>Gassmaks (Norges Forskningsråd) (BM)<br>Frydenbø Øksfjord Slipp og Mekk AS (BM)<br>Stiftelsen Madlavoll Teknolab (C) | Positions:<br>None<br><br>Directorships:<br>None |
| Marion Høgmo | Position:<br>None<br><br>Directorships:<br>Connect Nord Norge (BM)<br>El Tele AS (BM)<br>4 sea Energy AS (BM) | Positions:<br>SpareBank 1 Nord-Norge, Alta (Region Manager)<br>Nordea, Alta (Manager)<br><br>Directorships:<br>Alta Næringsforening (C) |
| Kristin Ingebrigtsen | Position:<br>None<br><br>Directorships:<br>None | Position:<br>Såkorn Invest Nord AS (CEO)<br>Pronord AS (Portfolio Manager)<br>Rapp Hydema AS (Market Manager)<br><br>Directorships:<br>North Energy ASA (BM)<br>AutoSim AS (BM)<br>Rapp Bomek AS (BM)<br>Backwinder AS (BM)<br>Arena Norge AS (BM)<br>Megaphone AS (BM)<br>Fall Stop AS (BM)<br>Creative Visual Group AS (BM)<br>Dental Innova AS (BM) |

## 7.2 Remuneration and benefits

### 7.2.1 Remuneration

The remuneration of the Board shall be determined on an annual basis by the Company's shareholders in the annual general meeting in accordance with the Company's Corporate Governance Policy. The Directors may also be reimbursed for, inter alia, travelling, hotel and other expenses incurred by them in attending meetings of the Directors or in connection with the business of the Company. A Director who has been given a special assignment, besides his normal duties as a Director of the Board, in relation to the business of the Company, may be paid such extra remuneration as the Directors may determine.

The remuneration of each member of the Board for the financial year of 2013 was NOK 400,000 for the Chairman, NOK 135,000 for each Board member and NOK 90,000 for the employee representative.

The table below summarizes the remuneration of senior management as per date of this Prospectus for the financial year 2013:

| **Name** | **NOK 1,000** | **2013 Salaries** | **2013 Pension benefits** | **2013 Other benefits*** |
|---|---|---|---|---|
| **Senior management** | | | | |
| Erik Karlstrøm | CEO | 3,926 | 4,096 | 79 |
| Knut Sæberg | CFO | 3,262 | 645 | 24 |
| Kristen Berli** | SVP Exploration and Development (from 1 June 2013) | 1,326 | 321 | 20 |
| Erik Henriksen | VP Exploration | 2,626 | 341 | 26 |
| Astrid M. Tugwell | VP Development Manager and HSEQ | 1,958 | 283 | 24 |
| Kristin Ingebrigtsen | VP Strategy and PA/PR | 1,758 | 215 | 27 |
| Marion Høgmo | VP Human Resource and Administration Manager | 1,398 | 173 | 27 |
| Vigdis Wiik Jacobsen*** | VP Portfolio Manager | 1,639 | 196 | 17 |
| | Total | 17,893 | 6,270 | 244 |

*The Company covers the cost of mobile telephone, as well as cost of pension, life insurance, health insurance travel and holiday insurance. Possible bonuses for 2013 are not reflected. Reference is made to 7.2.4 for details on employee bonus program.
**Kristen Berli joined the Company on 1 June 2013.
*** Vigdis Wiik Jacobsen left the Company on 1 September 2013.

Except for the Company's CEO and CFO, who have a right to a 24 month severance payment upon termination of employment by the Company and ordinary severance pay during applicable termination notice periods for all employees, no employee, consultant or service provider to the Company or the Group have service contracts with the Company or the Group that provide for benefits upon termination of employment.

### 7.2.2 Nomination committee and audit committee

The Company has in place a nomination committee responsible for selecting prospective board members and to propose the level of remuneration to the members of the board of directors.

On 29 May 2013 the general assembly elected the following persons to make up the Company's nomination committee:

- Rabbe Lund (Chairman) – elected for one year
- Leif Finsveen – elected for two years
- Glen Ole Rødland – elected for two years
- May Britt Lilletvedt – not for election, one more year left
- Odd Levy Harjo – not for election, one more year left

The board as a whole functions as the audit committee of the Company. The mandate of the audit committee is to prepare the follow-up of the financial reporting process for the board of directors, monitor the systems for internal control and risk management, have continuous contact with the Group's auditor regarding the audit of the annual accounts and monitor the independence of the auditor.

### 7.2.3 Option program

The company does not have a share option program.

### 7.2.4 Employee incentive program

The Company has implemented an employee incentive program under which all employees in the Group can earn up to four months' salary as a bonus on an annual basis calculated for each calendar year. The first two months bonus earned is payable in cash.

The next two months bonus shall be settled by transfer of existing shares or issuance of new shares at a subscription price of NOK 1 per share (existing or new). The number of shares is calculated by dividing the bonus amount earned by the share price in the market on 31 December each bonus year. In case of issuance of new shares the employees are entitled to an extraordinary salary payment. Shares received by the employees may not be traded for a period of 3 years after receipt, except in case of a take-over, merger etc. The criteria for earning the bonus is resolved by the management for each calendar year. For the year 2012, no shares were issued as bonus. Bonus earnings for the year 2013 have not yet been calculated.

#### 7.2.5 Pension scheme

The Company has a general group pension scheme covering all its employees. This is a defined benefit pension scheme (nw. "Ytelsesbasert pensjonsordning") where the employees are entitled to a pension amounting to 67% of the salary, provided 30 years of service. The insurance includes salary that exceeds 12G. With exception of three employees, the employee contract includes the statuary right to a minimum level of pension benefit. Three employees are entitled to a pension amounting to 67% of the salary provided that they remain employed for the period up until the pension age of 67 years. If any of these three employees terminate the employment prior to this point in time, the pension entitlement will be reduced accordingly. In addition to a regular pension scheme, the CEO, Erik Karlstrøm, has an agreement with the Company of early retirement from the age of 62 years. Disbursement shall amount to 67% of his fixed salary ahead of retirement. The Company is required to purchase insurance in order to fulfil its commitments toward the CEO. Such insurance has been taken out.

#### 7.2.6 Loans and Guarantees

No members of the board of directors or other officers of the Company or the Group have service contracts with the Company or the Group that provide for benefits upon termination of employment.

The Company has granted loans and guarantees to its senior management as follows with balance as per 31 December 2013.

| Name | Loan | Option | Interest | Purpose |
|---|---|---|---|---|
| **Senior management** | | | | |
| Erik Karlstrøm | 954,982 | | 2% p.a. nominal interest | Housing in Alta |

This has been part of the Company's strategy to build a strong organisation and head office in Alta.

### 7.2.7 Shareholdings and options

The following table sets forth, as of the date of this Prospectus, the number of Shares beneficially owned by each of the Company's Directors and senior management, and the number of subscription rights and options for Shares held by such persons:

| Name | Position | Holding Company | Shares | Subscription rights | Options |
|---|---|---|---|---|---|
| **Directors** | | | | | |
| Johan Petter Barlindhaug | Chairman of the Board | JPB AS (40%) | 3,283,423 | 0 | 0 |
| Harriet Hagan | Member of the Board | Amie AS | 25,000 | 0 | 0 |
| Anders Onarheim | Member of the Board | Isfjorden AS | 0* | 0 | 0 |
| Heidi M. Petersen | Member of the Board | Luuna AS | 45,000 | 0 | 0 |
| Jogeir Romestrand | Member of the Board | | 250,000 | 0 | 0 |
| Alexander Krogh | Member of the Board | | 8,500 | 0 | 0 |
| **Senior management** | | | | 0 | 0 |
| Erik Karlstrøm | CEO | | 642,980 | 0 | 0 |
| Knut Sæberg | CFO | | 32,073 | 0 | 0 |
| Astrid M. Tugwell | VP Development Manager and HSEQ | | 49,427 | 0 | 0 |
| Kristin Ingebrigtsen | VP Strategy and PA/PR Relation Manager | | 0 | 0 | 0 |
| Marion Høgmo | VP HR and Administration Manager | | 8,056 | 0 | 0 |
| Kristen Berli | SVP Exploration and BD | | 48,027 | 0 | 0 |

*Anders Onarheim is a non-controlling shareholder and the chairman of Isfjorden AS, which owns 8,570,651 shares in the Company. Anders Onarheim represents Isfjorden AS on the Board of North Energy.

Chairman Johan Petter Barlindhaug participated in the Private Placement by buying 500,000 shares at a price of NOK 4 per share. Jogeir Romestrand made his purchase decision before becoming board member of North Energy. Luuna AS, a company which is fully owned by board member Heidi M. Petersen, purchased on 19 March 2013 45,000 shares at a price of 5.40 per share. Erik Karlstrøm bought on 3 February 2014 629,543 shares from his fully owned company Ninerik AS at a price of NOK 4 per share. Kristen Berli purchased shares before becoming an employee in North Energy. There have been no other trades by board member or senior management last 12 months before date of this prospectus.

## 7.3 Employees

As of the date of this Prospectus, North Energy has 40 employees. The tables below illustrates the development in the number of employees over the last years, as per the end of each calendar year from 2010 until the end of 2013.

**Total number of employees:**

| Employees per 31.12 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Total | 44 | 51 | 43 | 40 |

**Employees by office location:**

| Employees per 31.12 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Alta | 31 | 33 | 26 | 24 |
| Tromsø | 0 | 2 | 3 | 8 |
| Oslo/Stavanger/ Bergen/Bodø | 13 | 16 | 10 | 8 |

**Employees by function:**

| Employees per 31.12 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|
| Exploration | 30 | 34 | 26 | 29 |
| Support | 14 | 17 | 13 | 11 |

# 8 CORPORATE GOVERNANCE

The Company and the Board have adopted and implemented corporate governance principles that are based on the Norwegian Code of Practice for Corporate Governance (the "Code of Practice") of 21 October 2010, as last amended on 23 October 2012. The Company has made an effort of complying with the corporate governance principles applicable to a listed company throughout its existence. In the opinion of the Board, the Company currently complies with the recommendations of the Code of Practice.

The corporate governance principles of North Energy are included in the Company's annual report posted on the Company's website, www.northenergy.no. The Company will on an annual basis provide statements on its compliance with the Code of Practice on a comply-or-explain basis.

# 9 LEGAL AND CONTRACTUAL MATTERS

## 9.1 Material contracts

### 9.1.1 Data Licensing Agreement with EMGS

In January 2014, the Company entered into an agreement with EMGS ("EMGS") for the license of EMGS' EM data in the Barents Sea and for the delivery of certain other services in the period 2014-2015 (the "EMGS License Agreement"). The EMGS License Agreement includes the license of all available EMGS EM data in the Barents Sea, up to and including the data acquired by EMGS in the 2013 Barents Sea Multi Client Program, for a consideration of NOK 75 million. The relevant EM data is made available to the Company immediately upon the execution of the EMGS License Agreement and the consideration is settled at the same time.

In addition to the acquisition of EM library date, the EMGS License Agreement sets out an obligation for the Company to purchase interpretation and integration services from EMGS for a total consideration of NOK 15 million in the period 2014-2015 and an obligation for the Company to prefund the acquisition of EM data from the EMGS 2014 Barents Sea Multi Client Program for a total consideration of NOK 10 million. The relevant blocks to be prefunded may be selected at the Company's discretion.

The Company's obligations under the EMGS License Agreement will be partially financed under a convertible loan agreement entered into between the Company and EMGS, as further described in section 9.2.4. below.

## 9.2 Financing agreements

### 9.2.1 Revolving Exploration Finance Facility

The Company has a NOK 950,000,000 revolving exploration finance facility (the “Facility”) with DNB and Skandinaviska Enskilda Banken AB, for the financing of the Company’s exploration activities. The Company is entitled to draw under the Facility to fund exploration and related costs that are eligible for refund in accordance with Section 3 of the Norwegian Petroleum Tax Act ("PTA"). The amount available to the Company from time to time under the Facility is set at 95% of the tax value of the Company’s costs eligible for tax refund minus estimated interest until tax refund is received. The terms of the Facility are set out in a facility agreement subject to Norwegian law.

The amount drawn under the Facility carries an interest rate at NIBOR + a margin of 2.25%. The Facility is secured with first priority charges over (i) the tax refunds available to the Company in accordance with Section 3 of the PTA and (ii) the insurances taken out by the Company from time to time.

Upon any tax refund being paid (or, if earlier, each 31 December in the year after the year in which the costs giving rise to the refund were incurred) the available amount under the Facility is reduced by an amount equal to 95% of such tax refunds (such reduction also applies upon the occurrence of certain other events such as receipt of insurance proceeds, changes to tax legislation, etc). The Facility matures and terminates 31 December 2014. A tendering process for a new facility has been initiated and expected completed in the second half of 2014. The Company has successfully negotiated loan facility agreements in 2008, 2010 and 2012 with great interest from a wide variety of international banks in the tendering process. The facility is attractive business for the banks due to its low risk with pledge in the tax refund from the Norwegian Tax Authorities and solid interest margins. The Company is continuously in dialogue with banks to monitor the industry demand for such loan facility and considers the risk of not successfully negotiating a new loan facility before end 2014 to be minimal. If the Company is not successful, the Company will seek alternative financing sources as equity or debt financing. This process will start in due time in order to secure alternative financing for 2015.

A change of control of the Company requires the consent from the majority lenders, such consent not to be unreasonably withheld or delayed. The Company is also restricted from incurring any contractual obligations to the Norwegian Government. Otherwise, the Facility is subject to customary undertakings, which limits or prohibits, inter alia, the Company’s assumption of further financial indebtedness, its distributions of funds to its shareholders, its acquisitions and disposals of business, mergers/demergers and changes to its business. The Facility is furthermore subject to customary default provisions.

As of the date of this Prospectus, the Company has a loan balance of NOK 0.

### 9.2.2 Convertible Loan issued to TGS Nopec ASA

On 1 March 2013, the Company entered into a four year convertible loan agreement of NOK 200 million with TGS Nopec ASA. The loan agreement includes purchase of seismic data and related services. The agreement does not include any commitments or obligations for the Company. Seismic purchase requires a cash payment of 35%. The loan balance carries 8% interest which is payable, and no instalments are required in the loan period. The Company has a repayment option on the outstanding loan balance at any time during the four year period. The conversion price is NOK 8 per share, and the conversion price is capped if the share price is above NOK 16 per share. TGS Nopec ASA may only convert loan balance into shares at three predefined dates in the loan period. As of 31 December 2013 the Company has utilised approx. NOK 21.6 million of the NOK 200 million convertible loan facility. As per the date of this Prospectus, the loan balance was NOK 22,989,809 of the NOK 200 million convertible loan facility.

### 9.2.3 Convertible Loan issued to Rex Technology

On 1 March 2013, the Company entered into a four year convertible loan agreement of NOK 100 million with Rex Technology. The loan agreement includes purchase of Rex Virtual Drilling (RVD) technology services. The agreement does not include any commitments or obligations for the Company. There is no requirement for cash payment. The loan balance carries 8% interest which is payable, and no instalments are required. The Company has a repayment option on the outstanding loan balance at any time during the four year period. The conversion price is NOK 8 per share, and the conversion price is capped if the share price is above NOK 16 per share. Rex Technology may only convert loan balance into shares at three predefined dates in the loan period. As of the date of this Prospectus, the convertible loan balance is zero.

### 9.2.4 Convertible loan issued to EMGS

On 5 February 2014, the Company entered into a convertible loan agreement with EGMS in the amount of NOK 75 million. The issuance of the convertible loan was approved by the extraordinary general meeting on 13 February 2013 at which time the agreement became effective. On 20 February 2014, the convertible loan was issued and settled by way of set-off against the Company's debt to EMGS for data delivered under the Licensing Agreement (see section 9.1.1 above). The loan bears an interest of 6% per year payable in cash. The loan matures 10 business days after the end of the exercise period which is 6 months after the settlement of the loan, i.e. 2 September 2014. The Lender may exercise the conversion rights during the period commencing 4 months after settlement of the loan and 6 months after the settlement of the loan. The conversion price is NOK 4.15 per share. As of the date of this Prospectus, the convertible loan balance is NOK 75 million.

### 9.2.5 Financing agreements overview

| Type | Counterparty | Facility amount | Balance per 31.12.2013 | Balance as per dato of prospectus | Expiry | Interest rate | Conversion price |
|---|---|---|---|---|---|---|---|
| Exploration Financing Facility | DNB and SEB | NOK 950 million | NOK 170 million | NOK 0 million | 31.12.2015 | NIBOR + 225 bp | n/a |
| Convertible loan | Rex Technology | NOK 100 million | NOK 19,1 million | NOK 0 million | 1.3.2017 | 8% | NOK 8 per share |
| Convertible loan | TGS ASA | NOK 200 million | NOK 21,6 million | NOK 23,0 million | 1.3.2017 | 8% | NOK 8 per share |
| Convertible loan | EMGS ASA | NOK 75 million | n/a | NOK 75 million | 2.9.2014 | 6% | NOK 4.15 per share |

## 9.3 Legal and arbitration proceedings

The Company and the Group have not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during the last twelve months which may have, or have had in the recent past, significant effects on the Group or the Company's financial position or profitability.

## 9.4 Related party agreements and transactions

### 9.4.1 Consultancy agreement with Johan Petter Barlindhaug

On 29 October 2010 the Company entered into a consultancy agreement with Mr. Barlindhaug under which he provides consultancy services. The hourly rate is adjusted yearly.

### 9.4.2 Consultancy agreement with Origo Økonomipartner

The Company entered into a consultancy agreement with Origo Økonomipartner for accounting and accounting related services. The agreement was terminated in 2012. The hourly rate was adjusted yearly.

### 9.4.3 Summary of related party transactions in the period from 1 January 2010 to 31 December 2013

The following table summarises the transactions with related parties referred to in section 9.4.1 to 9.4.2 **Error! Reference source not found.**for each of the years 2010, 2011, 2012 and YTD 31 December 2013:

| 2010 | | |
|---|---|---|
| **Related Party** | **Description of transaction** | **Amount (NOK)** |
| Origo Økonomipartner[1] | See section 9.4.2 | 155,000 |
| Johan Petter Barlindhaug | See section 9.4.1 | 51,000 |
| **2011** | | |
| **Related Party** | **Description of transaction** | **Amount (NOK)** |
| Origo Økonomipartner[1] | See section 9.4.2 | 155,025 |
| Johan Petter Barlindhaug | See section 9.4.1 | 103,528 |
| **2012** | | |
| **Related Party** | **Description of transaction** | **Amount (NOK)** |
| Origo Økonomipartner[1] | See section 9.4.2 | 196.950 |
| Johan Petter Barlindhaug | See section 9.4.1 | 115,138 |
| **2013** | | |
| **Related Party** | **Description of transaction** | **Amount (NOK)** |
| Johan Petter Barlindhaug (chairman) | See section 9.4.1 | 86,684 |

[1] The Company had an agreement with Origo Økonomipartner AS, a company controlled by Origo Nord for provision of accounting services. The agreement was terminated on 26 September 2012.

Reference is also made to section 7.2.6 for information regarding loans and guarantees provided by the Company to the senior management.

# 10 FINANCIAL INFORMATION

## 10.1 Statutory auditors

PricewaterhouseCoopers AS, with registration number 987 009 713, and business address Dronning Eufemias gate 88, N-0191 Oslo, Norway, has been the Company's auditor since the Company's incorporation. PricewaterhouseCoopers AS is a member of Den Norske Revisorforening (The Norwegian Institute of Public Accountants).

PricewaterhouseCoopers AS has performed an audit of the Company's consolidated financial statements for the years ended 31 December 2010, 2011 and 2012. PricewaterhouseCoopers AS has not audited, reviewed or produced any report on other information provided in this Prospectus.

## 10.2 Overview

The Company's annual financial statements including audited consolidated financial statements and audit reports for the accounting years ending 31 December 2010, 2011 and 2012, and the unaudited quarterly reports for Q4 2012 and 2013 are incorporated by reference to this Prospectus. Please see section 14.2 "Incorporation by reference" for detailed information.

## 10.3 Summary of significant accounting policies

The accounting policies applied in preparing the financial statements of the Company are incorporated by reference to this Prospectus, see section 14.2– "Incorporation by reference".

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and adopted by the EU.

## 10.4 Selected financial information

The following sections (10.4.1- 10.4.4) are a summary of the Company's consolidated financial statements.

### 10.4.1 Income statements

Set out below are the Company's audited consolidated income statements for the years ended 31 December 2010, 2011, 2012 and the unaudited income statement up to the 4th quarter of 2012 and 2013:

| (Figures in `000 NOK) | **Q4 2013 unaudited** | **Q4 2012 unaudited** | **Year 2013 unaudited** | **Year 2012** audited | **Year 2011** audited | **Year 2010** audited |
|---|---|---|---|---|---|---|
| Revenues | 546 | 0 | 98,576 | 46,931 | 0 | 0 |
| Payroll and related cost | (10,820) | (11,496) | (51,029) | (56,774) | (70,949) | (62,149) |
| Depreciation and amortisation | (2,292) | (2,554) | (8,880) | (10,183) | (7,179) | (4,593) |
| Exploration expenses | (486,456) | (257,070) | (696,551) | (540,143) | (340,154) | (179,049) |
| Other operating expenses | (8,029) | (11,874) | (33,419) | (41,074) | (40,004) | (43,445) |
| **Operating profit (loss)** | **(489,051)** | **(282,994)** | **(691,302)** | **(601,243)** | **(458,286)** | **(289,236)** |
| Net financial items | (7,138) | (5,394) | (25,044) | (21,939) | (13,493) | 4,724 |
| **Profit (loss) before tax** | **(496,189)** | **(288,388)** | **(716,346)** | **(623,183)** | **(471,780)** | **(284,512)** |
| Income tax (charge) credit | 383,942 | 228,794 | 566,682 | 511,664 | 361,224 | 221,596 |
| **Profit (loss) for the period** | **(112,247)** | **(59,594)** | **(149,664)** | **(111,519)** | **(110,556)** | **(62,916)** |
| Earnings (loss) per share (NOK): | | | | | | |
| - Basic | (2.75) | (1.46) | (3.67) | (2,94) | (4,39) | (2,67) |
| - Diluted | (2.75) | (1.46) | (3.67) | (2,94) | (4,39) | (2,67) |
| Dividend per share | 0 | 0 | 0 | 0 | 0 | 0 |

The figures are extracted from the Company's consolidated annual financial statements and the Company's consolidated interim financial reports.

The following discussion and analysis of the Company's financial condition and results of operation refers to the year ended 31 December 2010 to 2012 and the 4th quarter of 2013 and should be read in conjunction with the financial statements included in this Prospectus.

Reference is made to Section 2 for information on governmental, economic, fiscal, monetary or political policies and other risk factors that could materially affect, directly or indirectly, the Company's operations and/or financial position.

**Development for Q4 2013 (unaudited) compared to Q4 2012 (unaudited)**

The revenues increased from NOK 0 million in 4th quarter 2012 to NOK 0.5 million in 4th quarter 2013. The revenue relates to the selling of PL 498, 503, 503B and 616 to Lime Petroleum Norway.

The exploration expenses increased to NOK (468.5) million in the 4th quarter 2013 from NOK (257.1) million in the 4th quarter 2012. The increase is mainly due to the impairment of NOK 431 million on the PL535 Norvarg in the 4th quarter 2013 while 4th quarter 2012 had exploration expenses related to the drilling of PL 498 Skagen and PL 385 Jette.

The payroll and related expenses decreased from NOK (11.5) million in the 4th quarter 2012 to NOK (10.8) million to the 4th quarter 2013. Other operating expenses decreased from NOK (11.9) million in 2012 to NOK (8.0) million in 2013. The decrease of the mentioned costs is a result of efficiency improvement measures carried out throughout the year, which resulted in lower administrative and ICT related costs.

The change in Net financial items from NOK (5.4) million in 4th quarter 2012 to NOK (7.1) million in 2013 is a result of a combination of different aspects. The one of greater impact is the lower financial income in 2013. The capital gains in 2012 were higher due to a higher tax refund and cash holding due to the sale of PL 430 Fogelberg.

As a result of the comments above, the net result in the 4th quarter in 2013 decreased to NOK (112.2) million from NOK (59.6) million in the 4th quarter 2012.

**Development in the year ended 31 December 2013 compared with full year 2012**

The revenues increased from NOK 46.9 million in the full year 2012 to NOK 98.6 million in the full year 2013 as a higher number of production licenses were farmed out and sold. The NOK 98.6 million relates to the selling of PL 498, 503, 503B, 616, 707 and 708 to Lime Petroleum Norway, and PL 299 and 590 to Spike Exploration.

The exploration expenses increased to NOK (696.6) million in the full year 2013 from NOK (540.1) million in the full year 2012. Even though 2012 had a higher number of drilled wells, with four in 2012 against two in 2013, the exploration expenses related to the impairment of PL 535 Norvarg and a high level of purchased seismic data, consultancy services and general license costs resulted in a higher overall exploration cost for the year.

The payroll and related cost decreased from NOK (56.8) million in the full year 2012 to NOK (51.0) million in the full year 2013. Other operating expenses decreased from NOK (41.1) million in 2012 to NOK (33.4) million in 2013. The decrease of the mentioned costs is a result of efficiency improvement measures carried out throughout the year, which resulted in lower administrative and ICT related costs.

The change in Net financial items from NOK (21.9) million in 4th quarter 2012 to NOK (25.0) million in 2013 is a combination several aspects. The one of greater impact is the lower financial income in 2013. The capital gains in 2012 were higher due to a higher tax refund and cash holding due to the sale of PL 430 Fogelberg.

Due to higher cost in 2013 compared to 2012, the tax credit increased from NOK 511.7 million to NOK 566.7 million.

As a result of the comments above, the net result in the full year 2013 decreased to NOK (149.7) million from NOK (111.5) million in the full year 2012.

**Development in the year ended 31 December 2012 compared with full year 2011**

The revenues increased from NOK 0 million in 2011 to NOK 46.9 million in 2012 due to the sale of PL 433 Fogelberg to Centrica Norway AS.

The exploration expenses increased from NOK (340.2) million in the full year 2011 to NOK (540.1) million in the full year 2012. The increase is mainly due to one more drilling in 2012 and the capitalisation of the Norvarg well in 2011 plus material seismic acquisition in relation to the 22. Concession Round applications.

The organisation decreased from 51 staff in 2011 to 39 staff in 2012 which mainly contributed to the decrease in payroll and related cost from NOK 70.9 million in full year 2011 to NOK 56.8 million in full year 2012. Although the organisation was reduced, the other operating expenses had a marginal increase from NOK 40.0 million in the full year 2011 to NOK 41.1 million in the full year 2012 as the organisation had a higher usage of consultants than the year before.

The financial cost increased from NOK 13.5 million in 2011 to NOK 21.9 million in 2012 due to the early drilling of two wells in 2012 and generally higher activity throughout the year and less equity financing in place.

Due to higher cost in 2012 compared to 2011, the tax credit increased from NOK 361.2 million to NOK 511.7 million.

Net result for the full year 2012 slightly increased from NOK (110.6) million in full year 2010 to NOK (111.6) million.

**Development in the year ended 31 December 2011 compared with full year 2010**

The exploration expenses increased from NOK 179.0 million in the full year 2010 to NOK 340.2 million in the full year 2011, due to drilled wells in both PL 530 Heilo and PL 518 Zapffe in 2011. Full year 2010 contained the drilling expenses of non-commercial discovery in PL 341 Stirby. Full year 2011 also contained investment in seismic acquisition and processing for 4 DoD licenses, and two applications rounds in 2011 versus one round in full year 2010.

The organisation increased from 44 staff in 2010 to 51 staff in 2011 and that mainly contributed to the increase in payroll and related cost from NOK 62.1 million in full year 2010 to NOK 70.9 million in full year 2011. Although the organisation grew, the other operating expenses went down from NOK 43.4 million in full year 2010 to NOK 40.0 million in 2011. The decrease was mainly due to lower use of consultants and a more efficient organisation resulting in lower administrative costs.

The net financial items decreased from NOK 4.7 million in 2010 to NOK (13.5) million in 2011. As the full year of 2010 had financial income from a high amount of cash combined with a low activity level, the full year of 2011 had an exploration loan facility generating a financial cost due to the high activity level.

Due to the higher activity level and higher cost in 2011 compared to 2010, the tax credit increased from NOK 221.6 million to NOK 361.2 million.

Net result for the full year 2011 decreased from NOK (62.9) million in full year 2010 to NOK (110.6) million.

### 10.4.2 Balance Sheets

Set out below are the Company's audited consolidated balance sheets for the years ended 31 December 2010, 2011, 2012 and unaudited balance sheet for 2013:

| (Figures in `000 NOK) | **31 Dec 2013 unaudited** | **31 Dec 2012 audited** | **31 Dec 2011 audited** | **31 Dec 2010 audited** |
|---|---|---|---|---|
| **Assets** | | | | |
| Property, plant and equipment | 9,165 | 15,754 | 22,072 | 16,167 |
| Capitalized exploration and license cost | 17,496 | 268,839 | 376,719 | 128,214 |
| Long term receivables and other prepayments | 17,503 | 19,599 | 19,765 | 17,528 |
| Deferred tax asset | 101,568 | 0 | 0 | 0 |
| **Total non-current assets** | **145,732** | **304,192** | **418,556** | **161,909** |
| **Current assets** | | | | |
| Prepayments and other receivables | 16,312 | 35,637 | 54,854 | 37,926 |
| Tax receivables from refund | 352,220 | 505,011 | 553 550 | 347,532 |
| Financial asset | 0 | 0 | 0 | 4,674 |
| Cash and cash equivalents | 15,024 | 28,496 | 34,026 | 86,015 |
| **Total current assets** | **383,556** | **569,144** | **642,610** | **476,147** |
| | | | | |
| **Total assets** | **529,289** | **873,336** | **1,061,167** | **638,056** |
| | | | | |
| **Equity** | | | | |
| Paid in capital | 810,770 | 810,770 | 660,936 | 660,861 |
| Retained earnings | (550,201) | (400,843) | (291,159) | (180,685) |
| **Total equity** | **260,570** | **409,928** | **369,777** | **480,176** |
| **Non-current liabilities** | | | | |
| Pension liabilities | 14,012 | 13,254 | 18,766 | 15,346 |
| Convertible loans | 40,697 | 0 | 0 | 0 |
| Deferred tax | 0 | 111,829 | 202,225 | 45,791 |
| **Total non-current liabilities** | **54,708** | **125,083** | **220,991** | **61,137** |
| **Current liabilities** | | | | |
| Current borrowings | 164,989 | 215,552 | 348,348 | 0 |
| Trade creditors | 8,101 | 44,070 | 66,108 | 47,185 |
| Other short-term liabilities | 40,920 | 78,703 | 55,943 | 49,559 |
| **Total current liabilities** | **214,011** | **338,325** | **470,399** | **96,743** |
| | | | | |
| **Total equity and liabilities** | **529,289** | **873,336** | **1,061,167** | **638,056** |

The figures are extracted from the Company’s consolidated audited annual financial statements and the Company’s unaudited financial information for the 4$^{th}$ quarter of 2013 as derived from the 4$^{th}$ quarter interim financial information.

The total balance sheet increased from NOK 638.1 million at year end 2010 to NOK 1,061.2 million at year end 2011. The capitalized exploration and license cost increased with NOK 248.5 million to NOK 376.7 million mainly due to the discovery on PL 535 Norvarg. The tax receivables increased from NOK 347.5 million to NOK 553.5 million due to the higher activity with three drilled wells in 2011 versus two drilled wells in 2010. The retained earnings was reduced from NOK (180.7) million in 2010 to NOK (291.2) million in 2011 due to a higher activity level. The deferred tax increased to NOK 202.2 million due to the capitalized exploration cost on PL 535 Norvarg. The current borrowing increased to NOK 348.3 million in order to finance the drilling activity.

The total balance sheet decreased from NOK 1,061.2 million at year end 2011 to NOK 873.3 million at year end 2012. The capitalized exploration and license cost decreased with NOK 117.9 million to NOK 268.8 million mainly due to the sale of PL 433 Fogelberg, which reduced the capitalized exploration cost with NOK 115 million. The tax receivables decreased from NOK 553.5 million in 2011 to NOK 505.0 million in 2012. The activity level was resembling, but PL535 Norvarg had comparatively high cost, which affected the 2011 tax receivables. The retained earnings was reduced from NOK (291.2) million in 2011 to NOK (400.8) million in 2012 due a high activity level which led to a loss of NOK 109.7 million. The deferred tax decreased from NOK 202.2 million to NOK 111.8 million due to the selling of PL 433 Fogelberg. The current borrowing decreased to NOK 215.6 million due to the selling which gained cash for the Company.

From 2012 to 2013 the balance sheet has decreased from NOK 873 million to NOK 529 million. Eliminating the tax receivable from 2012 the decrease is mainly due to the impairment of capitalised expenses in PL535. As a result of the impairment, the capitalised expenses decreased from NOK 268.8 million in 2012 to NOK 17.5 million in 2013. The convertible loans of NOK 40 million in 4th quarter 2013 relates to the convertible loan agreements with TGS Nopec ASA and Rex Technology and covers seismic purchase and seismic analysis using Rex Virtual Drilling (RVD). The decrease in the deferred tax from NOK 112 million in 2012 to NOK 0 million is mainly related to the impairment of capitalised expenses in PL535. An increase in the deferred tax asset from NOK 0 million in 2012 to NOK 101 million in 2013 also relates to the impairment, as it was accounted for in the deferred tax amount.

### 10.4.3 Cash-flow statements

Set out below are the Company's audited consolidated cash-flow statements for the years ended 31 December 2010, 2011 and 2012 and unaudited cash flow for 2013 and the 4th quarter in 2012 and 2013:

| (Figures in `000 NOK) | **Q4 2013 unaudited** | **Q4 2012 unaudited** | **Year 2013 unaudited** | **Year 2012** audited | **Year 2011** audited | **Year 2010** audited |
|---|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | | |
| Profit/loss before tax | (496,189) | (288,388) | (716,346) | (623,183) | (471,780) | (284,512) |
| Adjustments: | | | | | | |
| Tax income | 505,192 | 553,523 | 505,192 | 553,523 | 341,251 | 160,727 |
| Depreciation | 2,292 | 2,554 | 8,880 | 10,183 | 7,179 | 4,593 |
| Gain from sales of licenses | (546) | 0 | (98,576) | (46,931) | 0 | 0 |
| Impairment capitalised exploration expenses | 431,361 | 189,615 | 502,665 | 332,394 | 58,960 | 52,016 |
| Pensions | 2,134 | (1,739) | (845) | (706) | 925 | 2,778 |
| Expensed share-based payment recognised in equity | 0 | 0 | 0 | 0 | 0 | 2,571 |
| Transaction costs and interest on borrowings recognised in P&L | 9,091 | 7,657 | 30,831 | 33,383 | 20,068 | 1,352 |
| Changes in trade creditors, debtors and accruals | (12,052) | 78,812 | (44,689) | 19,259 | 12,560 | 29,727 |
| Cash flow from operating activities | 440,861 | 542,033 | 186,678 | 277,921 | (30,837) | (30,748) |
| **Cash flow from investing activities** | | | | | | |
| Purchase of equipment | (1,878) | (735) | (2,292) | (3,865) | (13,011) | (7,076) |
| Proceeds from sales of licenses | 31,769 | 0 | 86,770 | 73,237 | 0 | 0 |
| Purchase of intangible assets | (10,742) | (183,513) | (251,547) | (337,758) | (337,440) | (232,372) |
| Acquisition of subsidiary, net cash flow | 0 | 0 | 0 | 0 | 0 | 30,931 |
| Changes in other non-current receivables | 62 | 3,207 | 5,091 | 3,703 | 631 | (5,520) |
| Cash flow from investing activities | 19,210 | (181,041) | (161,978) | (264,684) | (349,819) | (214,038) |
| **Cash flow from financing activities** | | | | | | |
| Increase in short term and long term loans, transaction cost and interest | (460,737) | (358,787) | (38,172) | (166,428) | 328,773 | (45,000) |
| Issue of shares and warrant shares | 0 | 0 | 0 | 147,480 | 75 | 331,481 |
| Cash flow from financing activities | (460,737) | (358,787) | (38,172) | (18,948) | 328,848 | 286,481 |
| **Net change in cash and cash equivalents** | **(665)** | **2,205** | **(13,472)** | **(5,710)** | **(51,809)** | **40,344** |
| Cash and cash equivalents at beginning of the period | 15,689 | 26,291 | 28,496 | 34,206 | 86,015 | 45,671 |
| **Cash and cash equivalents at end of the period** | **15,024** | **28,496** | **15,024** | **28,496** | **34,206** | **86,015** |

The figures are extracted from the Company's consolidated audited annual financial statements and the Company's unaudited financial information for the 4th quarter of 2013 as derived from the 4th quarter interim financial information.

Cash flow from operating activities went from NOK (30.7) million in full year 2010 and NOK (30.8) million in full year 2011 to a NOK 277.9 million in 2012. As the full year of 2010 and 2011 had regular activity resulting in negative operating cash flow, the indicated positive operating cash flow of the full year 2012 and 2013 are mainly due to the impairment of the capitalised exploration expenses of the sold PL 430 Fogelberg (2012) and the impairment of the PL535 Norvarg (2013). They had no cash effect, as they were barely adjustments of costs. The high positive operating cash flow in both Q4 in 2012 and 2013 is mainly a result of the payment of tax refund in December and as the impairments mainly happened in the end of both years.

Cash flow from investing activities increased from NOK (214) million in 2010 to NOK (349) million in 2011 and decreased to NOK (264) million in 2012. The activity was mainly related to the drillings of PL 433 Fogelberg and PL 341 Stirby in 2010, PL 535 Norvarg (high cost level), PL 530 Heilo and PL 518 Zapffe in 2011 and PL 450 Storebjørn, PL 370 Kakelborg, PL385 Jette and PL498 Skagen in 2012. 2012 was positively influenced by the sale PL 430 Fogelberg with NOK 73.2 million. The investing activities of NOK 162 million in 2013 was mainly affected by the drilling of PL299 Frode and the delineation well on PL535 Norvarg. The proceeds from sales of licenses of NOK 86 million mainly relates to the sale of shares in PL299 Frode to Spike Exploration.

The cash flow from financing activities in full year 2010 of NOK 286 million can mainly be explained by equity injection from shareholder, which was combined with the acquisition of 4sea Energy and listing on the Oslo Axess in February 2010. The cash flow from financing activities in full year 2011 of NOK 328.8 million can be explained by drawdown on the revolving tax refund borrowing facility of NOK 328.8 million which is a bridge financing from the occurrence of tax refundable expenses to tax refund in the following year. The cash flow in full year 2012 of NOK (18.9) million can mainly be explained by drawdown on the revolving tax refund borrowing facility of NOK (166.4) million and an equity injection from shareholders of NOK 147.5 million. The cash flow from finance activity in 2013 of NOK (38) million was mainly the net drawdown on the revolving tax refund borrowing facility.

All cash and cash equivalents at the end of each period are held in risk free non-restricted bank accounts in NOK.

### 10.4.4 Change in equity

Set out below is the change in equity for the Company's audited consolidated annual financial statements for the years ended 31 December 2010 to 2012 and the unaudited 4th quarter of 2013:

| (Figures in `000 NOK) | Share capital | Share premium account | Other paid-in capital | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Equity at 31 December 2009** | **9,201** | **233,573** | **26,999** | **(116,837)** | **152,935** |
| Shares issued | 15,949 | 390,663 | 0 | 0 | 406,612 |
| Shares issued expenses (net after tax) | | (18,095) | 0 | 0 | (18,095) |
| Share-based payment, bonus shares | | | 2,571 | 0 | 2,571 |
| Total result for 2010 | | | | (63,848) | (63,848) |
| **Equity at 31 December 2010** | **25 150** | **606 141** | **29,570** | **(180,685)** | **480,176** |
| Shares issued | 75 | 0 | 0 | 0 | 75 |
| Total result for 2011 | | | | (110,474) | (110,474) |
| **Equity at 31 December 2011** | **25,224** | **606,141** | **29,570** | **(291,159)** | **369,777** |
| Shares issued | 15,589 | 140,301 | 0 | 0 | 155,891 |
| Shares issued expenses (net after tax) | | | | | (6,056) |
| Total result for 2012 | | | | (109,684) | (109,684) |
| **Equity at 31 December 2012** | **40,813** | **740,387** | **29,570** | **(400,843)** | **409,928** |
| Total result for 2013 (unaudited) | | | | (149,358) | (149,358) |
| **Equity at 31 December 2013 (unaudited)** | **40,813** | **740,387** | **29,570** | **(550,201)** | **260,570** |

The figures are extracted from the Company's consolidated audited annual financial statements and the Company's unaudited financial information for the 4th quarter of 2013 as derived from the 4th quarter interim financial information.

### 10.4.5 Segment results

The Company's only business segment is exploration of oil and gas on the NCS. Therefore, it has not prepared and presented any isolated segment information.

## 10.5 Major events subsequent to the 4th quarter of 2013

On 21 January 2014, the Company entered into a convertible loan agreement with EGMS in the amount of NOK 75 million. See section 9.2.4 for further information.

## 10.6 Investments

### 10.6.1 Historical investments in fixed assets

North Energy's principal investments since start-up have been investing in exploration licenses through license rounds and through acquisitions on the NCS. In the start-up years of 2007 and 2008, the Company used NOK 25 million (2007) and NOK 140 million (2008) in direct and indirect exploration costs related to prequalification as a licensee and operator and application for licenses on the NCS.

In 2010, the Company entered into an agreement to acquire all shares in 4sea Energy. The acquisition cost was NOK 50 million and was financed by issuing shares in North Energy. There was no goodwill on the acquisition of 4sea Energy.

In 2010, North Energy drilled the well PL 433 Fogelberg at the cost of NOK 115 million (before tax), which was a gas/condensate discovery in the Norwegian Sea. PL 433 was sold to Centrica in February 2012 for NOK 70 million (after tax amount). PL 341 Stirby, also drilled in 2010 at the cost NOK 120 million, is considered a non-commercial discovery containing tight gas which was first capitalised during drilling operation, and expensed exploration cost afterwards.

PL 530 Heilo and PL 518 Zapffe were drilled in 2011 at the cost of NOK 56 million and NOK 136 million, both being classified as dry wells. PL 535 Norvarg is a gas discovery drilled in 2011 at the cost of NOK 263 million. Reference is made to section 4 of this Prospectus on further details of the Norvarg discovery. All 2011 wells were in the Barents Sea.

In 2012, altogether four wells were drilled; PL 450 Storebjørn (NOK 103 million), PL370 Kakelborg (NOK 24 million), PL385 Jette (NOK 72 million) and PL 498 Skagen (NOK 80 million). As they all were considered to be dry wells they were reclassified from capitalised exploration cost to exploration expenses for the financial year 2012.

The PL 535 Norvarg delineation well was drilled in 2013 at the cost of NOK 168 million. In await of further analysis of the Norvarg area the well is reclassified from capitalised exploration cost to an exploration expense for 2013. PL 299 Frode was drilled mid-year 2013 at the cost of NOK 43 million, but, as it was considered dry, the well was classified as an exploration expense for 2013.

All historical investments have been made in Norway.

### 10.6.2 Principal current and future investments

North Energy has committed itself to specific work programs on awarded licenses. These programs include acquisition, purchase and reprocessing of seismic data and participation in wells.

Main committed investments for 2014 will be the drilling of well PL 510 Tvilling sør at an estimated total cost ranging from NOK 900 million to NOK 1,150 million for the license partnership, where North Energy holds a 20% ownership share. The rig Leiv Eiriksson has been allocated and committed for the drilling of this license. There is uncertainty to the total drilling cost which, inter alia, depends on a potential testing of a discovery and related analysis of such tests. If during the drilling operations, indication of a potential discovery is made, for example by traces of hydrocarbons, the partnership may decide to take core samples. Core samples will provide more detailed information of the quality and extent of the hydrocarbons in the well. Such coring operation will require additional testing and coring equipment and time consuming drilling operations which again will contribute to the total well cost.

There is also one decided drilling of a well on PL 713 Halddi at an estimated cost of NOK 400 million to NOK 600 million for the license partnership where North Energy holds 20% ownership. No rigs have been assigned to the well in PL 713 and there is therefore uncertainty to the total drilling cost, drilling location and when the well can be drilled. The working program for licenses awarded in January 2014 for the APA 2014 is budgeted for NOK 30 million in total. The cost of the awarded licenses is in general very dependent on the need for new seismic, additional seismic or reprocessing of existing seismic, which may be a majority partnership decision, which North Energy may or may not be able to influence.

North Energy has four licenses with DoD decisions in 2014 which may or may not materialize into committed investment in 2014 or later. These are the licenses 590, 601, 509 and 616.

The table below presents firm wells and drill and drop decisions which will have to be taken in 2014 and 2015. The table does not include decisions that have to be taken after 2015. The table is based on NPD timelines and some partnerships may choose to take drill or drop decisions earlier than the NPD deadlines. For example, North believes PL 722 to be a drilling candidate, and will make a decision to drill earlier than the NPD deadline. The table illustrates that North Energy's current license portfolio may provide several drilling candidates which will be decided latest 2014 and 2015.

**Firm wells**

| Licence | Prospect | Interest | Operator | Location | Rig | Timing 2014 | Timing 2015 |
|---|---|---|---|---|---|---|---|
| PL 510 | Tvilling Sør | 20 % | Maersk | Norwegian Sea | Leiv Eiriksson | Q4 | |
| PL 713 | Halddi | 20 % | Statoil | Barents Sea | TBA | Q3 | |

**Drill or Drop licences**

| Licence | Prospect | Interest | Operator | Location | Rig | DoD Deadline 2014 | DoD Deadline 2015 |
|---|---|---|---|---|---|---|---|
| PL 590 | Sierra | 30 % | North Energy | Norwegian Sea | N/A | Q1* | |
| PL 601 | Nupen | 20 % | Wintershall | Norwegian Sea | N/A | Q2 | |
| PL 509 | Albatross | 40 % | North Energy | North Sea | N/A | Q3 | |
| PL 616 | Skagastøl | 15 % | Edison | North Sea | N/A | Q3 | |
| PL 503 | Valberget | 12,5 % | Lotos | North Sea | N/A | | Q1 |
| PL 587 | Rype | 40% | Edison | Norwegian Sea | N/A | | Q1 |
| PL 595 | Jaktfalk | 40% | Edison | Barents Sea | N/A | | Q1 |
| PL 656 | Selsbane | 10% | EON | Norwegian Sea | N/A | | Q1 |
| PL 707 | Seiland East | 10% | Edison | Barents Sea | N/A | | Q2 |
| PL 708 | Seiland West | 10% | Lundin | Barents Sea | N/A | | Q2 |

* Licence has applied for 6 months extension

**Other Drop decision**

| Licence | Prospect | Interest | Operator | Location | Rig | 2014 | Decision |
|---|---|---|---|---|---|---|---|
| PL 535 | Norvarg | 20% | Total | Barents Sea | N/A | Q2 | BoK |

North Energy has also a commitment to buy interpretation and integration services from EMGS for a total consideration of NOK 15 million in the period 2014-2015 and an obligation for the Company to prefund the acquisition of EM data from the EMGS 2014 Barents Sea Multi Client Program for a total consideration of NOK 10 million.

Future investments in fixed assets will be very limited and pertaining to office equipment. North Energy does not own offices, but rents these through leasing arrangements. All committed investments will be made on the Norwegian Continental Shelf.

Investments will be financed in a combination of tax refund of 78% of exploration expenses, equity injection and sale of discoveries. The company is fully financed for its future committed investments.

## 10.7 Property, plants and equipment

Property, plants and equipment are measured at cost, less accumulated depreciation and impairment losses.

In case the economic life of the different parts of an asset is different, the cost price of that asset is divided into the separate parts which are depreciated individually. Costs incurred after the tangible fixed asset has been put into operation, as repair and maintenance costs, are normally expensed. If it can be demonstrated that the repair/maintenance has led to increased earnings, the costs will be capitalized as additions to property, plant and equipment. When assets are sold, disposed of or replaced, the cost price and accumulated depreciations are reversed, and any losses or gains from the removal recognized in profit or loss.

The cost of other property, plant and equipment is depreciated over the economic life of the asset, using the straight line method. The depreciation periods used are as follows:

- Fixtures and other equipment: 3-5 years

The depreciation period and method is reviewed annually to ensure that the method and period used corresponds with the asset's actual economic situation. The same also applies to the asset's scrap value.

Write-downs, which have been recognized in previous accounting periods, are reversed when it becomes apparent that the circumstances prompting the write-down no longer exist or they have decreased. The reversal is recognized in profit or loss or recorded as an increase in previously impaired values. However, a reversal is not carried out if the increased carrying amount of an asset attributable to a reversal of an impairment loss exceeds the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

As can be seen from the balance sheet included above, North Energy holds no significant tangible fixed asset. The majority of fixed assets pertain to IT investments in infrastructure, servers and software. The company has off balance sheet office leasing commitments in Alta, Tromsø, Oslo and Stavanger. The majority of commitments stems from the Alta office which has a leasing length period until 2021. The office in Alta is located at Kunnskapsparken with a size of 1,300 square meters. There are no plans in place for significant investments in tangible assets that will require additional financing. The company does not hold any property, plants and equipment which contain any environmental risk factors.

## 10.8 Capitalised exploration and license cost

North Energy holds on the balance sheet capitalized drilling expenses of NOK 17.5 million pertaining mainly of the capitalized pre-drilling expenses on PL 510 Tvillingen sør (NOK 16.3 million). All expenses related to the drilling on firm wells are capitalised. If a well is dropped or deemed non-commercial, all costs will be expensed. All non-drilling expenses related to the licenses, for instance acquisition of seismic, are expensed immediately.

## 10.9 Capital resources

Since its incorporation, the Company has raised NOK 825.9 million through issuing of new shares and has per 31 December 2013 and NOK 170 million of financial interest bearing debt. These funds have financed the Company's operations.

Future new investments in exploration will be financed partly by equity and partly by drawing on the Facility where the Company has a Facility to NOK 950 million according to the build-up of tax refund from the state authorities and proceeds from the Private Placement. As per date of this prospectus the Facility balance is NOK 0 million with a remaining Facility of NOK 950 million. Based on the Company's current commitment, the Facility will be sufficient. The only committed well is planned in late 4$^{th}$ quarter 2014 and one expected well is contemplated in 3$^{rd}$ quarter 2014 which may make the loan balance increase in late 2014. The Company is currently working on firming up more well commitments in 2014 and 2015.

The Company's available cash, together with its exploration tax receivables, to be received in December 2014, and its exploration loan balance was at the end of 2013 NOK 164 million. This together with the Private Placement of NOK 285 million gives a total of NOK 450 million in available liquidity, combined with the three convertible loan agreements, which makes the company fully financed for 8-12 exploration wells in the period up to 2016.

For further reference on the tax refund facility, please see section 9.2.1.

## 10.10 Significant change in the Company's financial or trading position

Since 31 December 2013, the Company's financial position has been further strengthened by the Private Placement of NOK 285 million and a convertible loan agreement of NOK 75 million with EMGS. These are described in detail in Section 12.2 and 9.2.4 respectively. Except from the mentioned Private Placement, repayment of exploration loan balance and the convertible loan agreement with EMGS, there have been no significant changes in the financial or trading position of the Group since 31 December 2013.

## 10.11 Information on holdings

Outside the acquisition of 4sea Energy and the ownership in production licenses, the Company does not have any ownership interests or investments that are likely to have a significant effect on the assessment of the Company's own assets and liabilities, financial position or profit or losses.

## 10.12 Working capital

As of the date of this Prospectus, the Company is of the opinion that the Group's working capital is sufficient for its present requirements and, in particular, is sufficient for at least the next twelve months from the date of this Prospectus.

## 10.13 Dividend

The need for capital to further develop North Energy implies a restrictive dividend policy going forward. The Company expects that it will not pay any dividend to its shareholders in the near future. The Shares have equal rights to the Company's profits unless otherwise approved by all shareholders.

## 10.14 Capitalisation and indebtedness

Below is an overview of the Company's consolidated capitalisation and indebtedness as of 31 December 2013.

### 10.14.1 Capitalisation

The table below represents the Company's capitalisation as per 31 December 2013, adjusted for material events between 31 December 2013 and the date of this Prospectus.

Material events which are adjusted are:

1) Private Placement with net proceeds of NOK 272.5 million. This has primarily been used to repay the exploration loan balance.

2) Entering into of a convertible loan towards EMGS of NOK 75 million for the acquisition of EM data for the amount of NOK 75 million. The EM acquisition has been expensed with NOK 75 million, reducing the Company equity with NOK 16.5 million, which represents the 22% of exploration expenses which are not tax refundable, while 78% of the acquisition amount of NOK 75 million is eligible for tax refund receivable of NOK 58.5 million.

3) Repayment of exploration loan of NOK 260 million, which represents the loan balance per 31 December 2013 and what is utilized on the exploration loan facility during 2014 until the date of this Prospectus.

| **Amount in thousand NOK** | **31 Dec 2013 Unaudited** | **As adjusted** |
|---|---|---|
| **Current debt** | | |
| Guaranteed | 0 | 0 |
| Secured | 164 989 | -5 011 |
| Unsecured | 49 021 | 49 021 |
| **Total current debt** | **214 011** | **44 011** |
| **Non-current debt** | | |
| Guaranteed | 0 | 0 |
| Secured | | 0 |
| Unsecured | 54 708 | 129 708 |
| **Total non-current debt** | **54 708** | **129 708** |
| | | |
| **Shareholders' equity** | | |
| Share Capital | 40 813 | 112 063 |
| Legal Reserve | 740 387 | 941 637 |
| Other Reserve | -520 631 | -537 131 |
| **Total shareholders' equity** | **260 570** | **516 570** |

Since 31 December 2013 North Energy has repaid its Facility of NOK 170 million using proceeds from the Private Placement. This reduces the total current debt from NOK 214 million to NOK 44 million, a reduction of NOK 170 million. In addition, loan amount of NOK 90 million drawn during 2014 has also been repaid, which makes the total loan repayment during 2014 NOK 260 million. The secured debt of NOK 165 million as per 31 December 2013 includes NOK 5 million in capitalized arrangement fee which represents the expenses of the two year exploration facility.

The total non-current debt has increased from NOK 55 million to NOK 130 million, an increase of NOK 75 million, representing the convertible loan towards EMGS.

The share capital has increased from NOK 261 million to NOK 517 million, representing an increase of NOK 255 million which is due to the net Private Placement amount of NOK 272.5 million, reduced by the net expensing of the EM acquisition of NOK 16.5 million. The EM data is fully expensed upon acquisition but due to the 78% tax refund on exploration related expenses the net reduction impacting equity is 22% of NOK 75 million, which gives NOK 16.5 million.

### 10.14.2 Indebtedness

The table below represents the Company's indebtness as per 31 December 2013, adjusted for material events between 31 December 2013 and date of this Prospectus.

Material events which are adjusted are:

1) Private Placement with net proceeds of NOK 272.5 million. This has primarily been used to repay the exploration loan balance.

2) Entering into of a convertible loan towards EMGS of NOK 75 million for the acquisition of EM database for the amount of NOK 75 million. The EM acquisition has been expensed with NOK 75 million, reducing the Company equity with NOK 75 million, while 78% of the acquisition amount of NOK 75 million is eligible for tax refund receivable of NOK 58.5 million.

3) Repayment of exploration loan of NOK 260 millon which represents the loan balance per 31 December 2013 and what is utilized on the exploration loan facility during 2014 until the date of this Prospectus.

| **Amount in thousand NOK** | **31 Dec 2013 Unaudited** | **As adjusted** |
|---|---|---|
| A. Cash and cash equivalents | 15 024 | 117 524 |
| B. Cash equivalents | 0 | 0 |
| C. Trading securities | 0 | 0 |
| **D. Liquidity (A+B+C)** | **15 024** | **117 524** |
| **E. Current financial receivable** | **368 533** | **427 033** |
| F. Current bank debt | 164 989 | -5 011 |
| G. Current portion of non-current debt | 0 | 0 |
| H. Other current financial debt | 49 021 | 49 021 |
| **I. Current financial debt (F+G+H)** | **214 011** | **44 011** |
| | | |
| **J. Net current financial indebtedness (I-E-D)** | **(169 545)** | **(500 545)** |
| K. Non-current bank loans | 0 | 0 |
| L. Bonds issued | 0 | 0 |
| M. Other non-current loans | 40 697 | 115 697 |
| **N. Non-current financial indebtedness (K+L+M)** | **40 697** | **115 697** |
| | | |
| **O. Net financial indebtedness (J+N)** | **(128 849)** | **(384 849)** |

Since 31 December 2013, North Energy has repaid NOK 170 million on the Facility.

Following the repayment of NOK 170 million of non current secured debt and the Private Placement with net proceeds of NOK 272.5 million, the cash balance has increased from NOK 15 million to NOK 117.5 million. This has increased the liquidity (A+B+C) from NOK 15 million to NOK 117.5 million, an increase of NOK 102.5 million.

The EM acquisition of NOK 75 million, financed by a convertible loan of NOK 75 million from EMGS, is expensed upon acquisition and is eligible for 78% tax refund explaining the increase in current financial receivables (J) from NOK 368.5 million to NOK 427 million, and increase of NOK 58.5 million. The tax receivable related to the EM acquisition amount is received in December 2015, however, because of the bridge financing possibility in the exploration loan facility; the amount is by the Company considered as a current financial receivable.

The current financial debt has decreased from NOK 214 million to NOK 44 million which represents the usage of net proceeds from the Private Placement to repay the exploration loan balance. The remaining balance of NOK 44 million represents primarily short term debt on licences and capitalized arrangement fee related to the exploration facility which is expected to remain at a stable level.

Non-current financial indebtedness has increased from NOK 41 million to NOK 116 million representing the convertible loan from EMGS financing the acquisition of EM data of NOK 75 million.

Net financial indebtedness has decreased from NOK (128) million to NOK (389) million, a reduction of NOK 256 million which represents the net proceeds from the Private Placement of NOK 272.5 million minus the non tax refundable part of the EM acquisition which is NOK 16.5 million (NOK 75 million x 22%).

The following is a table of financial ratios (i) Debt ratio and (i) Interest coverage ratio, with development since end of 2010 until the date of this Prospectus.

| **Key Financial ratios** | **31.12.2010** | **31.12.2011** | **31.12.2012** | **31.12.2013** | **as per the date of this Prospectus** |
|---|---|---|---|---|---|
| **Debt ratio** | 0% | 33% | 25% | 39% | 4% |
| **Interest coverage ratio** | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |

The definition of debt ratios is total interest bearing debt divided on total assets as per year end. The debt ratios was 0% at the end of 2010, reflecting that the Company's available and preferred source of financing was equity. With increased activity level in 2011 and 2012, the Company utilized its exploration loan facility which led to a debt ratio of 33% and 25% correspondingly. The debt ratio at the end of 2013 was 39%, reflecting the exploration loan facility balance of NOK 170 million over an asset base of NOK 529 million. The increase in debt ratio from 25% in 2012 to 39% reflects the increased financing by interest bearing debt and the asset depreciation of PL 535 Norvarg combined. After the end of 2013, the Company has repaid its loan balance on the Facility and convertible loan to Rex Technologies using the parts of the Private Placement proceeds.

The definition of interest coverage ratio is yearly interest expenses divided by yearly EBIT (Earnings Before Interest and Tax). For an exploration company like North Energy without any regular income or production income, the interest coverage will remain very low since the Company is relying on equity or sale of discoveries until it reaches the oil production phase. This is reflected throughout the period from 2010 until the date of this Prospectus.

### 10.14.3 Treasury and funding policy

The Company's treasury policy is to keep cash within risk free bank accounts with no restrictions on withdrawals. All cash is held in NOK. Company will use its excess cash to reduce loan balances when possible. There are no limitations on transfer of liquid assets from subsidiaries.

The secured interest bearing debt from the Facility has variable interest and the company does not have any fixed interest debt. The Company has no material trading in financial or oil derivative instruments, but the Company will continuously consider interest rate swap in order to reduce its floating rate debt. The Company is hedging its short term currency exposure in US dollar on license expenses with a maximum hedging period of 30 days.

The Company's capital strategy is to finance ongoing operations by:

- Exploration loan to bridge the tax refund received from the Government
- Sale of discoveries
- Usage of equity markets
- Convertible loan facilities

As a pure exploration company, with very fluctuating income, the ability to cover interest expenses is both limited and uncertain; therefore the Company will mainly base its interest bearing debt on the exploration loan and the current convertible loan, and primarily rely on equity to fund its activities. The Company will evaluate its capital sources from time to time, prioritizing the source which will protect and maximize shareholder wealth.

# 11 SHARE CAPITAL AND SHAREHOLDER MATTERS

## 11.1 Share capital

As at the date of this Prospectus, the registered share capital of the Company is NOK 112,063,448, consisting of 112,063,448 Shares, each with a par value of NOK 1.00.

There is one class of Shares only. All shares are fully paid. The Shares are equal in all respects, and each Share carries one vote at the Company's general meeting.

## 11.2 VPS registration and registrar

The Company's Shares are registered in VPS, the Norwegian Central Securities Depository. The Shares' securities number is NO 0010550056. The Company's VPS registrar is DNB Bank ASA, Registrar Department, NO-0021 Oslo, Norway.

The Shares are listed and trading on Oslo Axess under the ticker code NORTH.

The New Shares issued in the Private Placement, as further described below in section 12.2, have been registered under a temporary ISIN NO 0010704299 pending approval and publishing of this Prospectus. Following publishing of the Prospectus, the New Shares will be transferred to the regular ISIN and the shares will automatically be tradable on Oslo Axess.

## 11.3 Historical development of share capital

The table below shows the historical development of share capital and the number of outstanding shares in Company:

| Date | Transaction/event | Gross proceeds (NOK) | Number of Shares | Price per share (NOK) | Par value (NOK) | Share capital post transaction (NOK) | Number of Shares post transaction |
|---|---|---|---|---|---|---|---|
| Dec- 09 | Share split (1:10) | | | | 1 | 9,200,970 | 9,200,970 |
| Feb-10 | Issue of shares[1] | 320,302,824 | 12,086,899 | 26.50 | 1 | 21,287,869 | 21,287,869 |
| Feb-10 | Acq. of 4sea Energy[2] | 49,999,988 | 1,886,792 | 26.50 | 1 | 23,174,661 | 23,174,661 |
| Feb-10 | Exercise sub.-rights[3] | 29,691,024 | 1,400,520 | 21.20 | 1 | 24,575,181 | 24,575,181 |
| Feb -10 | Exercise sub.-rights[4] | 6,618,556 | 574,555 | 12.70/1[4] | 1 | 25,149,736 | 25,149,736 |
| Aug-11 | Issue of shares[5] | 74,657 | 74,657 | 1 | 1 | 25,224,393 | 25,224,393 |
| Mar -12 | Issue of shares[6] | 150,000,000 | 15,000,000 | 10 | 1 | 40,224,393 | 40,224,393 |
| Mar - 12 | Issue of shares[7] | 5,890,550 | 589,055 | 10 | 1 | 40,813,448 | 40,813,448 |
| Jan – 14 | Issue of shares[8] | 285,000,000 | 71,250,000 | 4.00 | 1 | 112,063,448 | 112,063,448 |

[1]Public offering in relation to listing. For further details, see:
http://www.newsweb.no/newsweb/search.do?searchSubmitType=searchtype.pdf&messageId=253504

[2]Issuance of shares in relation to acquisition of shares in 4sea Energy. For further details, see:
http://www.newsweb.no/newsweb/search.do?searchSubmitType=searchtype.pdf&messageId=253728

[3]Exercise of subscription rights in relation to allotment of shares to key management. The Company no longer has any arrangements under which employees are awarded shares or options in the Company. For further details, see:
http://www.newsweb.no/newsweb/search.do?searchSubmitType=searchtype.pdf&messageId=254210

[4]Exercise of options by members of key management. 516,735 shares were issued at a subscription price of approx. NOK 12.70 and 57,820 shares were issued at a subscription price of NOK 1. The Company no longer has any arrangements under which employees are awarded shares or options in the Company. For further details, see:
http://www.newsweb.no/newsweb/search.do?searchSubmitType=searchtype.pdf&messageId=255253

[5]Issuance of shares under employee incentive program. The Company no longer has any arrangements under which employees are awarded shares or options in the Company. For further details on the issuance, see:
http://www.newsweb.no/newsweb/search.do?searchSubmitType=searchtype.pdf&messageId=288589

[6]Private placement with approx. 25% discount to market price. For further details, see:
http://www.newsweb.no/newsweb/search.do?searchSubmitType=searchtype.pdf&messageId=300341

[7]Issuance of shares in subsequent repair offering with approx. 25% discount to market price. For further details, see:
http://www.newsweb.no/newsweb/search.do?searchSubmitType=searchtype.pdf&messageId=301055

[8]The Private Placement. For further details, see section 12.2 of this Prospectus.

## 11.4 Share price development


Source: Oslo Stock Exchange, 28 February 2014

## 11.5 Major shareholders

As of 28 February 2014, North Energy had a total of 900 registered shareholders in the VPS. There are no limits restricting foreign ownership of the Shares. The Shares carry equal rights in all respects. Each Share has the right to one vote at general meetings.

Shareholders owning 5% or more of the Shares must disclose their holding to the market pursuant to Norwegian securities law (for a description of the significant shareholding disclosure thresholds, see section 11.17). As at 28 February 2014, to the knowledge of the Company, beneficial shareholders with a notifiable interest under Norwegian law were Taube, Hudson and Stonex Partners LLP, Elliot International Capital Advisors Inc., Rex International Holding/Rex Technology Management, Odin Offshore and Isfjorden AS who, together with their respective affiliates, owned approximately 13.9%, 10.6%, 13.4%, 7.8% and 7.6% of the Shares, respectively.

The table below shows the 15 largest shareholders in the Company as registered in the VPS on 28 February 2014. Nominee accounts are allocated towards certain shareholders based on the Company's best knowledge.

| # | Shareholders | Number of shares | Ownership |
|---|---|---|---|
| 1 | PARETO SECURITIES ASA | 27 850 000 | 25 % |
| 2 | ODIN OFFSHORE | 8 750 000 | 8 % |
| 3 | CARNEGIE AS | 8 062 500 | 7 % |
| 4 | BNY MELLON SA/NV | 6 130 000 | 5 % |
| 5 | ELECTROMAGNETIC GEOSERVICES ASA | 5 000 000 | 4 % |
| 6 | SUNDT AS | 3 750 000 | 3 % |
| 7 | THE LIVERPOOL LP | 3 405 000 | 3 % |
| 8 | JPB AS | 3 283 423 | 3 % |
| 9 | SKS EIENDOM AS | 2 624 920 | 2 % |
| 10 | EUROCLEAR BANK S.A./N.V. ('BA') | 2 356 500 | 2 % |
| 11 | MP PENSJON PK | 1 568 000 | 1 % |
| 12 | KLP AKSJE NORGE VPF | 1 500 000 | 1 % |
| 13 | THE BANK OF NEW YORK MELLON SA/NV | 1 491 375 | 1 % |
| 14 | SOLAN CAPITAL AS | 1 410 073 | 1 % |
| 15 | ORIGO KAPITAL AS | 1 343 569 | 1 % |
| | **Top 15 shareholders** | **78 525 360** | **70 %** |

To the knowledge of the Company, the Company is not, for purposes of Norwegian law, directly or indirectly, controlled by another corporation or by any government.

All shares in the Company have equal voting rights. Consequently, none of the major shareholders have different voting rights.

As of the date of this Prospectus, the total number of Shares held indirectly beneficially by directors and senior management of the Company as a group, was approximately 4%. As of the date of this Prospectus, to the knowledge of the Company, there are no arrangements or agreements, which, at a subsequent date may result in a change of control in the Company.

As of the date of this Prospectus, the Company or Group held no shares in the Company.

## 11.6 Authorisations to issue new Shares

The annual general meeting of shareholders on 29 May 2013 granted an authorisation to the Board to issue up to 4,081,344 new Shares and thus increase the share capital of the Company by NOK 4,081,344 valid until the annual general meeting in 2014, but no later than 30 June 2014. The authorisation may be used for share issues settled in assets other than cash and mergers. The shareholders preferential rights in accordance with the PLCA section 10-4 may be set aside. The Board has not to date utilised the authorisation, nor has it committed itself to utilising the authorisation.

## 11.7 Rights to receive Shares

### 11.7.1 Convertible Loan to TGS Nopec ASA

On 1 March 2013 the Company issued a convertible loan to TGS Nopec ASA, as further described in section 9.2.2. The Loan may be converted into shares at a conversion price of NOK 8 per share (subject to normal market adjustment clauses). The Loan may be converted on predefined dates only. The currently outstanding loan under the facility is NOK 23.0 million. The convertible rights are registered in the VPS under ISIN NO 0010704372. The convertible rights are non-transferable.

### 11.7.2 Convertible Loan to Rex Technology

On 1 March 2013 the Company issued a convertible loan to Rex Technology Management, as further described in section 9.2.3. The loan may be converted into shares at a conversion price of NOK 8 per share (subject to normal market adjustment clauses). The loan may be converted on predefined dates only. The currently outstanding loan under the facility in NOK 0. The convertible rights are non-transferable.

### 11.7.3 Convertible Loan to EMGS

On 20 February 2014 the Company issued a convertible loan to EMGS, as further described in section 9.2.4. The loan may be converted into shares at a conversion price of NOK 4.15 per share (subject to normal market adjustment clauses). The loan may be converted during a period starting 4 months after settlement until 6 months after settlement. The convertible rights are registered in the VPS under ISIN NO 0010704281. The convertible rights are non-transferable.

### 11.7.4 Employee Incentive Scheme

The Company has established an incentive program for employees entitling employees to receive bonus in the form of shares on certain conditions, see section 7.2.4

## 11.8 Shareholder's rights

Under Norwegian law, all shares of the same class are entitled to equal rights in a company. The Company's Articles of Association provide for a single class of shares with equal rights.

## 11.9 Shareholders' agreement

The Company is not aware of any shareholders' agreements between the Company's shareholders.

## 11.10 Limitations on the right to own and transfer the Shares

There are no restrictions affecting the right of Norwegian or non-Norwegian residents or citizens to own the Shares. The Company's Articles of Association do not contain any provisions restricting the transferability of the Shares.

## 11.11 General meetings

The shareholders of the Company exercise supreme authority of the Company through the general meeting.

In accordance with Norwegian law, the ordinary general meeting of shareholders is required to be held each year on or prior to 30 June. Companies listed on a regulated market must send written notice of general meetings setting out the time, date and agenda of the meeting. Such notice must be sent at least three weeks prior to the date of the meeting to all shareholders whose address is known. A shareholder may vote at the general meeting either in person or by proxy at their own discretion. Pursuant to clause 6 of the Company's Articles of Association, the right to attend and vote at the general meeting can only be exercised when the share purchase has been registered in the register of shareholders maintained by the VPS on the fifth working day prior to the general meeting (date of registration). Further, the Board of Directors may decide that extraordinary general meetings for a period up to the next ordinary general meeting can be convened with two weeks' notice, if the Board has decided that electronic voting shall be allowed on the general meeting, c.f. clause 6 of the Company's Articles of Association,  As per the date of this Prospectus, the Company does not possess the technology to support electronic voting.

A company listed on Oslo Børs or Oslo Axess shall send proxy forms to its shareholders for the general meeting, or alternatively state to where such proxy form is electronically available. Appendices and attachments to the notice for the general meeting are not sent to the shareholders physically, but are made available at the Company's website. Nevertheless, any shareholder may request that such documents be sent to him or her free of charge.

The following matters must be discussed and decided at the annual general meeting of a listed company:

- approval of the annual accounts and annual report, including the distribution of any dividend, use of profits and the coverage of any deficit
- the statement of the Board of Directors with regard to remuneration and other benefits to the Company's senior management
- the Board of Directors report on Corporate Governance
- election of members to the Board of Directors that are up for election
- any other business required to be discussed at the general meeting pursuant to the Company's articles of association

In addition to the ordinary general meeting, extraordinary general meetings may be convened if deemed necessary by the Board. An extraordinary general meeting must also be convened for the consideration of specific matters at the written request of the Company's auditors or shareholders representing minimum 5% of the share capital.

A shareholder is entitled to have a matter discussed at a general meeting if such shareholder provides the Board of Directors with notice of the matter in question at least seven days prior to the deadline for the notice of the general meeting. A shareholder is entitled to propose resolutions for items listed on the agenda at the general meeting.

## 11.12 Voting rights - amendments to the articles of association

All of the Shares have an equal right to vote at general meetings. No voting rights can be exercised with respect to shares held in treasury by the Company.

In general, decisions that shareholders are entitled to make under Norwegian law or the Company's articles of association may be made by a simple majority of the votes cast. In the case of elections, the persons who obtain the most votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights in connection with any share issue, to approve a merger or de-merger, to amend the articles of association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants or to authorize the Board of Directors to purchase the shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval of the holders of such shares or class of shares as well as the majority required for amendments to the articles of association.

Decisions that (i) would reduce any shareholder's right in respect of dividend payments or other rights to the assets or (ii) restrict the transferability of the shares require a majority vote of at least 90% of the share capital represented at the general meeting in question. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amendments to the Articles of Association. The legal requirements to change the rights of holders of the Shares are regulated by Norwegian statutory law, including the Norwegian Public Limited Liability Companies Act, and there are no provisions in the Articles of Association that require additional conditions than are required by such Norwegian statutory law.

In general, only a shareholder registered as the beneficial owner of shares in the VPS is entitled to attend and vote for such shares. A beneficial owner of Shares registered through a VPS-registered nominee may be refused to vote unless ownership is re-registered in the name of the beneficial owner prior to the relevant general meeting.

## 11.13 Additional issuances and preferential rights

If the Company issues any new shares, including bonus share issues, (involving the issuance of new shares by a transfer from the Company's share premium reserve or distributable equity to the share capital), its articles of association must be amended, which requires a two-thirds majority of the votes cast and the share capital represented at a general meeting of shareholders. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new shares that are issued on a pro rata basis based on their current shareholdings in the Company. The preferential rights to subscribe for new shares may be waived by a resolution of the general meeting passed by the same vote required to approve amendments to the articles of association.

The general meeting may, with a vote as required for amendments to the articles of association, authorize the Board of Directors to issue new shares, and to waive the preferential rights of shareholders in connection with such issues. Such authorization may be effective for a maximum of two years, and the par value of the shares to be issued may not exceed 50% of the registered nominal share capital as at the time the authorization is registered in the Norwegian Register of Business Enterprises.

To issue shares to holders who are citizens or residents of the United States upon the exercise of preferential rights, the Company may be required to file a registration statement in the United States under United States securities laws. If the Company decides not to file a registration statement, such holders may not be able to exercise their preferential rights and in such event would be required to sell such rights to eligible Norwegian persons or other eligible non-US holders to realize the value of such rights.

## 11.14 Minority rights

Norwegian law contains a number of protections for minority shareholders, including, but not limited to, those described in this and preceding and subsequent paragraphs. Any shareholder may petition the courts to have a decision of the Board of Directors or general meeting of shareholders declared invalid on the grounds that it is in conflict with the Public Limited Companies Act, the Articles of Associations or, for instance, unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the company itself. In certain grave circumstances, shareholders may require the courts to dissolve the company as a result of such decisions. Minority shareholders holding 5% or more of the Company’s share capital have a right to demand in writing that it hold an extraordinary general meeting to discuss or resolve specific matters. In addition, any shareholder may demand in writing that the Company place an item on the agenda for any shareholders’ meeting if it is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if at least two weeks remain before the shareholders’ meeting is to be held.

## 11.15 Mandatory offer requirement

Norwegian law requires any person, entity or group acting in concert that acquires more than 1/3 of the voting rights of a Norwegian company listed on a Norwegian regulated market to make an unconditional general offer for the purchase of the remaining shares in the company. The offer is subject to approval by Oslo Børs before submission of the offer to the other shareholders. The offer price per share must be at least as high as the highest price paid or agreed by the offeror in the six-month period prior to the date that the 1/3 threshold was exceeded, but equal to the market price if the market price was clearly higher when the 1/3 threshold was exceeded. In the event that the acquirer thereafter, but prior to the expiration of the bid period, acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price.

A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. The maximum amount payable if the offer is accepted by all shareholders must be guaranteed by a bank licensed in Norway. A shareholder who does not want to make the required offer must within four weeks dispose of sufficient shares so that the obligation ceases to apply (i.e., to reduce the ownership to a level below 1/3). Otherwise, Oslo Børs may cause the shares exceeding the 1/3 limit to be sold by public auction as long as the mandatory bid requirement remains in force. A shareholder who fails to make such bid cannot vote for shares at the company’s shareholders meetings or exercise any rights of share ownership unless a majority of the remaining shareholders approve. The shareholder can, however, exercise the right to dividends and preferential rights in the event of a share capital increase. Oslo Børs may impose a daily fine upon a shareholder who fails to make the required offer.

A shareholder or consolidated group that owns shares representing more than 1/3 of the votes in a listed company, and that has not made an offer for the purchase of the remaining shares in the company in accordance with the provisions concerning mandatory offers (e.g., due to available exemptions), is obliged, in general, to make a mandatory offer in the case of each subsequent acquisition. However, there are exceptions to this rule, including for a shareholder or a consolidated group that, upon admission of the company to listing on a regulated market, owns more than 1/3 of the shares in the company.

Pursuant to the Norwegian Securities Trading Act, a repeated mandatory offer obligation is triggered by a shareholder that already owns shares representing more than 1 /3 of the voting rights when such shareholder becomes the owner of shares representing 40% or more of the votes. The same applies when a shareholder becomes the owner of shares representing 50% or more of the voting rights of a Norwegian company listed on a Norwegian regulated market. A shareholder’s sale of shares to avoid launching a mandatory offer may be restricted to the portion of shares exceeding the threshold that triggered the repeated mandatory offer obligation.

## 11.16 Compulsory acquisition

If a shareholder, directly or via subsidiaries, acquires shares representing 90% or more of the total number of issued shares as well as 90% or more of the total voting rights attached to such shares in a Norwegian company, then such majority shareholder would have the right (and each remaining minority shareholder of the company would have the right to require such majority shareholder) to effect a compulsory acquisition for cash of any shares not already owned by such majority shareholder. Upon effecting a compulsory acquisition the majority shareholder becomes the owner of all the remaining shares with immediate effect. If a shareholder acquires shares representing more than 90% of the total number of issued shares, as well as more than 90% of the total voting rights, through a voluntary offer in accordance with the STA, a compulsory acquisition can, subject to the following conditions, be carried out without such shareholder being obliged to make a mandatory offer: (i) the compulsory acquisition is commenced no later than four weeks after the acquisition of shares through the voluntary offer, (ii) the price offered per share is equal to or higher than what the offer price would have been in a mandatory offer, and (iii) the settlement is guaranteed by a financial institution authorized to provide such guarantees in Norway.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share, the determination of which is at the discretion of the majority shareholder. However, where the offeror, after making a mandatory or voluntary offer, has acquired more than 90% of the voting shares of a company and a corresponding proportion of the votes that can be cast at the general meeting, and the offeror, pursuant to Section 4-25 of the Public Limited Companies Act, completes a compulsory acquisition of the remaining shares within three months after the expiry of the offer period, it follows from the STA that the redemption price shall be determined on the basis of the offer price for the mandatory/voluntary offer unless specific reasons indicate another price.

Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months, request that the price be set by a Norwegian court. Absent such request or other objection to the price being offered, the minority shareholders would be deemed to have accepted the offered price after the expiry of the two months deadline. Generally, the majority shareholder would be responsible for the cost of such court procedure and the courts would have full discretion in respect of the valuation of the shares as per the effectuation of the compulsory acquisition.

## 11.17 Disclosure obligations

A person, entity or group acting in concert that acquires shares, rights to shares or voting rights resulting in its beneficial ownership, directly or indirectly, in the aggregate meeting or exceeding the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or of the shares representing an equivalent portion of the voting rights in the company has an obligation under Norwegian law to notify Oslo Børs immediately. The same applies to disposal of shares resulting in a beneficial ownership, directly or indirectly, in the aggregate meeting or falling below said thresholds.

The reporting obligations will also apply if the thresholds are reached or passed as a result of events changing the relative ownership or voting stake by “passive” means e.g. if a company is increasing its share capital and thereby causes an existing shareholder not participating in the capital increase to be diluted. Issuers of listed shares are required to make public the total number of voting rights and capital at the end of each month during which an increase or decrease of such total number has occurred. Section 4-3 of the STA also applies in respect of equity certificates and rights to equity certificates.

## 11.18 Insider trading

According to Norwegian law, subscription for, purchase of, sale of or exchange of or incitement to such dispositions of financial instruments which are listed or sought listed on a Norwegian regulated market, must not be undertaken by anyone who has precise information about the financial instruments, the company or other matters which may have a noticeable effect on the price of the financial instruments or related financial instruments, and which are not publicly available or commonly known in the market in accordance with the STA Section 3-2. The same applies to entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights connected with such financial instruments or incitement to such dispositions.

## 11.19 Rights of redemption and repurchase of Shares

The share capital may be reduced by reducing the par value of the shares or by redemption of shares. Such a decision requires the approval of two-thirds of the votes cast at a general meeting, as well as two-thirds of the share capital represented. Redemption of individual shares requires the consent of the holders of the shares to be redeemed.

A Norwegian public limited company may purchase its own shares if an authorization for the Board of Directors of the company to do so has been given by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast at the meeting, as well as two-thirds of the share capital represented at the meeting. The aggregate par value of treasury shares so acquired and held by the company must not exceed 10% of the company’s share capital, and treasury shares may only be acquired if the company’s distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorization by the general meeting cannot be given for a period exceeding 2 years. A Norwegian public limited company may not subscribe for its own shares.

## 11.20 Shareholder vote on certain reorganizations

A decision to merge with another company or to de-merge requires a resolution of the shareholders passed by two-thirds of the aggregate votes cast as well as two-thirds of the share capital represented at a general meeting. A merger plan or de-merger plan signed by the Board of Directors, along with certain other required documentation, would have to be sent to all shareholders and registered with the Norwegian Register of Business Enterprises at least one month prior to the shareholders' meeting.

## 11.21 Liability of Directors

Members of the Board of Directors owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the Board members act in the best interests of the Company and the shareholders as a group when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of the Board of Directors may each be held liable for any damage they negligently or wilfully cause the Company. Norwegian law permits the general meeting to exempt any such person from liability, but the exemption is not binding if substantially correct and complete information was not provided at the general meeting when the decision was taken. If a resolution to grant such exemption from liability or not to pursue claims against such a person has been passed by a general meeting with a smaller majority than that required to amend the Company's articles of association, shareholders representing more than 10% of the share capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility, but can be recovered from any proceeds that the Company receives as a result of the action. If the decision to grant an exemption from liability or not to pursue claims is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders cannot pursue the claim in the Company's name.

## 11.22 Indemnification of Directors

Neither Norwegian law nor the Articles of Association contain any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase, and has purchased, insurance to cover the members of its Board of Directors against certain liabilities that they may incur in their capacity as such.

## 11.23 Distribution of assets on liquidation

Under Norwegian law, a company may be wound-up by a resolution of the company's shareholders in a general meeting passed by two-thirds of the aggregate votes cast as well two-thirds of the share capital represented at the meeting. As a general rule, upon liquidation the Company′s assets should be realised, any debt repaid and net profits distributed in cash to the shareholders. In the event of separate classes of shares the shares within each class of the shares rank equally in the event of a return on capital by the Company upon a winding-up or otherwise.

## 11.24 Information policy and investor relations

North Energy will openly provide shareholders, bondholders, Oslo Børs and the market as a whole, with reliable, timely and consistent information on the Company to ensure that investors at all times have a sound basis for their investment decisions. Such information will take the form of annual reports, quarterly reports, stock exchange bulletins, press releases and investor presentations when appropriate in respect of significant events. Any financial reports, notifications and presentations will be made available through the notification system of Oslo Børs and on the Company's web page.

The Company will strive to ensure that its progress is monitored by research analysts. The Company's CEO and CFO will maintain the responsibilities for relations with its shareholders, Oslo Børs, analysts and investors in general.

The Company shall seek to clarify its long-term potential, including its strategy, value drivers and risk factors. The Company shall maintain an open and proactive investor relations policy, a best-practice website and shall give presentations regularly in Oslo in connection with interim results.

## 11.25 Objective of the Company

According to Section 3 in the articles of association, the objective of the Company is to engage in exploration, development and production of oil and gas on the Norwegian shelf and on the Russian sector of the Barents Sea, and to own or participate in companies conducting similar activities, including through subsidiaries.

## 11.26 The Board and board committees

According to the articles of association the Board shall consist of between 3 and 9 members, of which two members shall be elected from and among the employees in entities being part of North Energy. The current board composition is set out in section 7.1.1 above. The Company shall have a nomination committee. The nomination committee shall consist of the chairman of the Board and two members elected by the general meeting. See section 7.2.2 for the current members of the nomination committee. The members elected by the general meeting shall be appointed for two years. In connection with election of directors and members to the nomination committee, the nomination committee shall in the notice for general meeting propose candidates for the general meeting. The nomination committee shall also propose the remuneration of the Board.

## 11.27 Procedure for declaration of dividends – legal constraints on the distribution of dividends

Dividends in respect of a fiscal year, if any, will be declared at the Company's annual general meeting in the following year. Under Norwegian law, dividends may be paid in respect of a fiscal year for which audited financial statements have been approved by a majority vote at the annual general meeting, and any proposal to pay a dividend must be recommended by the Company's Board of Directors and approved by its shareholders at a general meeting. The shareholders at the Company's annual general meeting may vote to reduce, but may not adopt a resolution to increase, the dividend proposed by the Company's Board of Directors. Dividends declared and approved in this manner accrue to those shareholders who were shareholders at the time the resolution was adopted, unless otherwise stated in the resolution.

Dividends may be paid in cash or in some instances in kind. The Norwegian Public Limited Companies Act provides several constraints on the distribution of dividends:

- Pursuant to section 8-1 of the Norwegian Public Limited Companies Act the Company may only distribute dividend to the extent that the Company's net assets following the distribution covers (i) the Company's share capital, (ii) the reserve for valuation differences and (iii) the reserve for unrealized gains. In the amount that may be distributed, a deduction shall be made for the aggregate nominal value of treasury shares that the Company has purchased for ownership or as security before the balance day. It shall also be made a deduction for credit and collateral etc. according to sections 8-7 to 8-10 from before the balance day which after these provisions shall lie within the scope of the funds the Company may distribute as dividend. It shall however not be made a deduction for credit and collateral etc. that is reimbursed or settled before the time of decision, or credit to a shareholder to the extent that the credit is settled by a netting in the dividend.

- The calculation of the distributable equity shall be made on the basis of the balance sheet in the approved annual accounts for the last fiscal year, however so that the registered share capital as of the date of the resolution to distribute dividend shall apply. Following the approval of the annual accounts for the last fiscal year, the general meeting may also authorise the Board of Directors to declare dividend on the basis of the Company's annual accounts.

- Dividend may also be distributed by the general meeting based on an interim balance sheet which has been prepared and audited in accordance with the provisions applying to the annual accounts and with a balance sheet date not further into the past than six months before the date of the general meeting's resolution.

- Dividend may only be distributed to the extent that the Company after the distribution has a sound equity and liquidity. The amount of dividends the Company can distribute is calculated on the basis of the parent Company's financial statements.

According to the Norwegian Public Limited Companies Act, there is no time limit after which entitlement to dividends lapses. Further, the Norwegian Public Limited Companies Act contains no dividend restrictions or specific procedures for non-Norwegian resident shareholders. For a description of withholding tax on dividends that is applicable to non Norwegian residents, see section 13.

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval. However, all payments to and from Norway shall be registered with the Norwegian Currency Registry. Such registration is made by the entity performing the transaction. Further, each physical transfer of payments in currency shall be notified to the Norwegian customs. Consequently, a non-Norwegian resident may receive dividend payments without Norwegian exchange control consent if such payment is made through a licensed bank.

# 12 THE PRIVATE PLACEMENT AND LISTING OF NEW SHARES

## 12.1 Introduction

The Prospectus is prepared for the purpose of listing a total of 71,250,000 New Shares issued in the Private Placement.

## 12.2 The Private Placement

### 12.2.1 The purpose of the Private Placement and use of proceeds

North Energy announced on 20 January 2014 a stronger focus on the Barents Sea. The strategy is supported by North Energy's unique position in northern Norway coupled with an adaptation of technologies particularly well suited in the Barents Sea, namely Electromagnetic surveys (EM) and Virtual Drilling (VD). To support these plans, North Energy has, inter alia, raised NOK 285 million in cash through the Private Placement of 71,250,000 New Shares at NOK 4.00 per Share. The Private Placement is conducted to strengthen the Company's equity to fund drilling of 8 - 12 wells over the coming years. As per date of this Prospectus, 2 wells are firmed. Reference is made to Section 4.8 and Section 10.6.2. The Company decided to conduct a Private Placement and as such deviate from the shareholders preferential rights in order to secure the new equity at a subscription price corresponding to a premium of 7% compared to the closing trading price the day prior to the Private Placement was announced, at the advantage of the joint interests of the Company's shareholders.

North Energy is focusing on the Company's primary exploration region; the Barents Sea, where North Energy has been active since the Company's formation in 2007. Since 2007, the Company has drilled three exploration wells and one appraisal well resulting in one gas discovery which is currently considered to be sub-commercial. North Energy has received large number of licenses awards in the 20th and 22nd licensing round, being second only to Statoil in the Barents Sea in the 22nd licensing round when considering the number of licenses awarded (not considering operatorships).[10] OMV Norge received the same number of licenses awards as North Energy.[10] North Energy aims to keep its strong position in the Barents Sea going forward and expects to have several firm wells here over the coming years.

With headquarters in Alta, traditionally a strong Northern Norwegian ownership, strong involvement in relation to educational institutions with the aim to raise the knowledge level and level of awareness of the oil industry in Northern Norway and a strategy to contribute to industrial value creation in northern Norway, North Energy has an attractive and unique position in the region. The Company expects to further build on this to add additional wells in the Barents Sea through farm-ins and licensing rounds.

The Barents Sea focus is supported by a strengthened technical analysis of prospects through dedicated adaptation of EM and VD. Conventional G&G coupled with EM and VD screening is expected to yield lower finding cost and higher probability of commercial oil discoveries. EM has proven to be a particularly effective exploration tool in the shallow hydrocarbon basins such as the Barents Sea.

Since the Barents Sea has a relatively low number of oil prospect drillings, the Company will continuously evaluate oil well opportunities in the Norwegian Sea and the North Sea as well.

The Company will be selective in the Barents Sea with less focus and priority on areas far away from current and expected infrastructure, less focus on gas prospects and less focus where the geology is less known. In order to have sufficient drilling activity, it will therefore be natural for the Company to evaluate drilling opportunities where there are more opportunities to choose from, where there is existing or planned infrastructure and where the geology is more known.

The net proceeds of the Private Placement are estimated to amount to approximately NOK 272,500,000 and will alone be sufficient to cover between 8-12 exploration wells and the ordinary operation of the Company until the end of 2016.

### 12.2.2 Resolutions

On 20 January 2014 the Board conditionally resolved to allocate and propose to issue 71,250,000 New Shares to certain existing and new investors at a price of NOK 4.00 per share. On 13 February 2014 the extraordinary general meeting resolved to issue the New Shares in accordance with the following resolution:

[10] Source: http://www.regjeringen.no/nb/dokumentarkiv/stoltenberg-ii/oed/Nyheter-og-pressemeldinger/pressemeldinger/2013/22-konsesjonsrunde--tilbud-om-andeler.html?id=730045

*1. The Company's share capital is increased from NOK 40,813,448 by NOK 71,250,000 to NOK 112,063,448 through subscription and issue of 71,250,000 new shares, each with a nominal value of NOK 1.*
*2. The subscription price shall be NOK 4 per share. The subscription amount shall be paid in cash.*
*3. The shares shall be subscribed for by the managers of the private placement on behalf of, and in accordance with instructions given in the application forms of, the investors participating in and being allocated shares by the Board in the private placement.*
*4. The preferential rights of existing shareholders pursuant to section 10-4 of the Public Limited Liability Companies Act are waived, cf. section 10-5.*
*5. Subscription shall be made in the minutes of the general meeting. Payment shall be made within 17 February 2014.*
*6. The new shares shall carry rights to dividend and have other shareholder rights from the time of registration of the share capital increase with the Register of Business Enterprises.*
*7. Section 4 of the Articles of Association is amended to read as follows:*

*"The Company's share capital is NOK 112,063,448 divided on 112,063,448 shares each with a nominal value NOK 1."*
*8. Estimated expenses for the share capital increase, cf the Public Limited Liability Companies Act section 10-1 (2) no. 10, is approx.NOK 10 million.*
*9. The resolution under this item 3 is conditional upon the approval by the general meeting of the resolution proposed in items 4 below."*

#### 12.2.3 Transaction details for the Private Placement

The Subscription Price per New Share in the Private Placement was set by the Board of Directors to NOK 4 per Share, raising total gross proceeds of NOK 285 million. The reason for completing the Private Placement at a premium of 7% compared to the closing trading price the day prior to the Private Placement was announced, was that sufficient applications were made to subscribe for the New Shares at such premium.

The New Shares in the Private Placement was placed with a minimum subscription amount equal to EUR 100,000 (no maximum subscription), with due regard to applicable prospectus requirements and in accordance with applicable laws and regulations. The application period for the Private Placement ended on 20 January 2014 at 21:00 hours CET.

Allocation of the New Shares, conditional on subsequent shareholder approval, was made by the Board of Directors in consultation with the Managers following close of the application period. Notifications of conditional allotment and payment instructions for the New Shares in the Private Placement were sent to the applicants on 20 January 2014 through a notification issued by the Managers.

The following allocations were made to investors which were allocated more than 5% of the New Shares issued in the Private Placement and to any large shareholders, members of the Company's management, Board, supervisory or administrative bodies:

| **Investor** | **Number of New Shares allocated** |
|---|---:|
| Taube Hodson Stonex Partners LLP | 12,500,000 |
| JPB AS* | 500,000 |
| Elliott International Capital Advisors Inc. | 7,500,000 |
| SKS Eiendom AS | 250,000 |
| EMGS ASA | 5,000,000 |
| Sundt AS | 3,750,000 |
| Isfjorden AS | 7,000,000 |
| Jogeir Romestrand | 250,000 |
| Rex Technology Management Ltd. | 9,000,000 |
| Rex International Holding Ltd. | 6,000,000 |
| Odin Offshore | 8,750,000 |

*Chairman Johan Petter Barlindhaug owns 60% of the shares in JPB AS

Other than listed above, no other major shareholders holding more than 5% of the Shares in the Company prior to the Private Placement or any members of the Company's management, Board, supervisory or administrative bodies, were allocated New Shares in the Private Placement. Please see section 11.5 "Major Shareholders" for further information regarding the Company's major shareholders.

Payment for the New Shares was made on 17 February 2014. Registration of the share capital increase in the Register of Business Enterprises was made on 20 February 2014 and delivery of the New Shares was made on 20 February 2014.

The Company has published information in respect of the Private Placement through Oslo Børs' electronic information system on 21 January 2014.

The completion of the Private Placement was subject to the approval of the Private Placement by the extraordinary general meeting of the Company held on 13 February 2014 and the approval of the issuance of a convertible loan to EMGS ASA by the extraordinary general meeting of the Company held on 13 February 2014. The conditions were fulfilled on 13 February 2014.

The application period in the Private Placement has been completed and the Private Placement may no longer be revoked, suspended, reduced or withdrawn. The New Shares issued in connection with the Private Placement have been issued in accordance with the resolution passed at the extraordinary general meeting of the Company held on 13 February 2014.

Following the completion of the Private Placement, the total number of issued Shares in the Company are 112,063,448 each with a nominal value of NOK 1.

No lock-up agreements were entered into in connection with the Private Placement.

### 12.2.4 Dilution

Existing shareholders will be diluted by 63 per cent.

## 12.3 The rights conferred by the New Shares

The New Shares issued in the Private Placement are ordinary Shares in the Company, each having a nominal value of NOK 1. The New Shares have in all respects equivalent rights to all other issued Shares in the Company. The New Shares have the same voting rights and other rights and obligations which are standard under the Norwegian Public Limited Companies Act, and are governed by Norwegian law.

## 12.4 VPS registration

The New Shares issued in the Private Placement are currently electronically registered in the VPS in registered form on a temporary ISIN NO 0010704299, pending approval of this listing Prospectus. Following the publishing of this Prospectus the New Shares will be transferred to the Company's ordinary ISIN NO 0010550056.

## 12.5 Listing of the New Shares

Following approval and publishing of this Prospectus the New Shares will automatically be transferred to ISIN NO 0010550056 and listed on the Oslo Axess without filing of any application. The New Shares are expected to be listed and tradable on Oslo Axess at the end of February 2014. The Shares are traded under the ticker code NORTH.

## 12.6 Financial and legal counsel

Carnegie AS and Pareto Securities AS have acted as Managers in connection with the Private Placement. The Managers acted as joint-lead managers. Wikborg, Rein & Co DA has acted as Norwegian legal advisor to the Company.

## 12.7 Expenses and estimated net proceeds

The total expenses of the Private Placement are estimated to amount to approximately NOK 12,500,000 of which NOK 11,200,000 are fees to the Managers. All expenses in the Private Placement will be carried by the Company. The net proceeds of the Private Placement are estimated to amount to approximately NOK 272,500,000.

## 12.8 Interests (including conflict of interest) of natural and legal persons involved in the Private Placement

The Managers and their affiliates have provided from time to time, and will provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may have received and may continue to receive customary fees and commissions. The Managers, their employees and any affiliate may currently own existing Shares in the Company. The Managers do not intend to disclose the extent of any such investments or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Managers will receive a success fee of a fixed percentage of the gross proceeds raised in the Private Placement. For Carnegie AS, the success fee will amount to NOK 2,726,000 in cash and 1,062,500 Shares in the Company. For Pareto Securities AS, the success fee will amount to NOK 4,240,000. As such, the Managers have an interest in the Private Placement. Reference is made to section 12.7 “Expenses and estimated net proceeds” for a description of the fees payable to the Managers in connection with the Private Placement. Reference is also made to section 12.2.3 for information on major shareholders participation in the Private Placement. Other than what is set out above in this section 12.8, there are no other interests (including conflict of interests) of natural and legal persons involved in the Private Placement.

## 12.9 Governing law and jurisdiction

The New Shares were issued pursuant to Norwegian law. The terms and conditions of the Private Placement are governed by and construed in accordance with Norwegian law. Any dispute arising out of, or in connection with, the Private Placement shall be subject to the exclusive jurisdiction of the courts of Norway, with Oslo District Court as legal venue.

# 13 TAX ISSUES

*Set out below is a summary of certain Norwegian tax matters related to investments in the Company. The summary is based on Norwegian laws, rules and regulations applicable as of the date of this Prospectus, which may be subject to any changes in law occurring after such date. Such changes could possibly be made on a retroactive basis. The summary does not address foreign tax laws.*

*The summary is of a general nature and does not purport to be a comprehensive description of all the Norwegian tax considerations that may be relevant for a decision to acquire, own or dispose of Shares. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisers. Shareholders resident in jurisdictions other than Norway and shareholders who ceases to be resident in Norway for tax purposes (due to domestic tax law or tax treaty) should consult with and rely upon their own tax advisers with respect to the tax position in their country of residence and the tax consequences related to ceasing to be resident in Norway for tax purposes.*

*Please note that for the purpose of the summary below, a reference to a Norwegian or foreign shareholder refers to the tax residency rather than the nationality of the shareholder.*

## 13.1 Norwegian Shareholders

### 13.1.1 Taxation of dividends

*Norwegian Personal Shareholders*

Dividends received by shareholders who are individuals resident in Norway for tax purposes ("Norwegian Personal Shareholders") are taxable as ordinary income for such shareholders at a flat rate of 27% to the extent the dividend exceeds a tax-free allowance.

The allowance is calculated on a share-by-share basis. The allowance for each share is equal to the cost price of the share multiplied by a determined risk free interest rate based on the effective rate after tax of interest on treasury bills (Norwegian: "statskasseveksler") with three months maturity. The allowance is calculated for each calendar year, and is allocated solely to Norwegian Personal Shareholders holding shares at the expiration of the relevant calendar year. Norwegian Personal Shareholders who transfer shares will thus not be entitled to deduct any calculated allowance related to the year of transfer. Any part of the calculated allowance one year exceeding the dividend distributed on the share ("excess allowance") may be carried forward and set off against future dividends received on, or gains upon realisation, of the same share. Any excess allowance will also be included in the basis for calculating the allowance on the same share the following years.

*Norwegian Corporate Shareholders*

Dividends received by shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes ("Norwegian Corporate Shareholders") are included in the calculation of the shareholders' net income from shares qualifying for the participation exemption, including dividends received from the Company. Only 3% of net income from shares qualifying for the participation exemption shall be included in the calculation of ordinary income. Ordinary income is subject to tax at a flat rate of 27%, implying that net income from shares is effectively taxed at a rate of 0.81%.

## 13.2 Capital Gains Tax

*Norwegian Personal Shareholders*

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian Personal Shareholder through a realisation of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the shareholder's ordinary income in the year of disposal. Ordinary income is taxable at a rate of 27%. The gain is subject to tax and the loss is tax-deductible irrespective of the duration of the ownership and the number of shares disposed of.

The taxable gain/deductible loss is calculated per share, as the difference between the consideration for the share and the Norwegian Personal Shareholder's cost price of the share, including any costs incurred in relation to the acquisition or realisation of the share. From this capital gain, Norwegian Personal Shareholders are entitled to deduct a calculated allowance, provided that such allowance has not already been used to reduce taxable dividend income. See "Norwegian Personal Shareholders" under section 13.1.1 above for a description of the calculation of the allowance. The allowance may only be deducted in order to reduce a taxable gain, and cannot increase or produce a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of a share will be annulled.

If the Norwegian Personal Shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

If a Norwegian Personal Shareholder cease to be a tax resident of Norway certain specific regulations applies with regard to realisation of shares held by such person.

*Norwegian Corporate Shareholders*

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes. Capital gains derived from the realisation of shares qualifying for the participation exemption are not taxable for Norwegian Corporate Shareholders and losses incurred upon realisation of such shares are not deductible for Norwegian Corporate Shareholders.

*Net wealth tax*

The value of shares is included in the basis for the computation of wealth tax imposed on Norwegian Personal Shareholders. Currently, the marginal wealth tax rate is 1.0% of the value assessed. The value for assessment purposes for shares listed on the Oslo Stock Exchange is the listed value as of 1 January in the year of assessment.

Norwegian Corporate Shareholders are not subject to wealth tax.

## 13.3 Foreign Shareholders

### 13.3.1 Taxation of dividends

*Foreign Personal Shareholders*

Dividends distributed to shareholders who are individuals not resident in Norway for tax purposes ("Foreign Personal Shareholders"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Foreign Personal Shareholders resident within the EEA for tax purposes may apply individually to Norwegian tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share (see above).

If a Foreign Personal Shareholder is carrying on business activities in Norway and the shares are effectively connected with such activities, the shareholder will be subject to the same taxation of dividends as a Norwegian Personal Shareholder, as described above.

Foreign Personal Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

*Foreign Corporate Shareholders*

Dividends distributed to shareholders who are limited liability companies (or certain similar entities) not resident in Norway for tax purposes ("Foreign Corporate Shareholders"), are as a general rule subject to withholding tax at a rate of 25%. The withholding tax rate of 25% is normally reduced through tax treaties between Norway and the country in which the shareholder is resident.

Dividends distributed to Foreign Corporate Shareholders resident within the EEA for tax purposes are exempt from Norwegian withholding tax provided that the shareholder is the beneficial owner of the shares and that the shareholder is genuinely established and performs genuine economic business activities within the relevant EEA jurisdiction.

Foreign Corporate Shareholders who have suffered a higher withholding tax than set out in an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

Nominee registered shares will be subject to withholding tax at a rate of 25% unless the nominee has obtained approval from the Norwegian Tax Directorate for the dividend to be subject to a lower withholding tax rate. To obtain such approval the nominee is required to file a summary to the tax authorities including all beneficial owners that are subject to withholding tax at a reduced rate.

The withholding obligation in respect of dividends distributed to Foreign Corporate Shareholders and on nominee registered shares lies with the company distributing the dividends and the Company assumes this obligation.

### 13.3.2 Capital Gains Tax

*Foreign Personal Shareholders*

Gains from the sale or other disposal of shares by a Foreign Personal Shareholder will not be subject to taxation in Norway unless the Foreign Personal Shareholder holds the shares in connection with business activities carried out or managed from Norway.

*Foreign Corporate Shareholders*

Capital gains derived by the sale or other realisation of shares by Foreign Corporate Shareholders are not subject to taxation in Norway, unless the Foreign Corporate Shareholder holds the shares in connection with business activities carried out or managed from Norway.

## 13.4 Net Wealth Tax

Shareholders not resident in Norway for tax purposes are not subject to Norwegian net wealth tax. Foreign Personal Shareholders can, however, be taxable if the shareholding is effectively connected to the conduct of trade or business in Norway.

## 13.5 Duties on Transfer of Shares

No stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares in Norwegian companies.

# 14 ADDITIONAL INFORMATION

## 14.1 Documents on display

For the life of this Prospectus, the Prospectus and the following documents (or copies thereof) may be inspected at www.northenergy.no or at the Company's business address:

i. the Memorandum of Association and Articles of Association of the Company;

ii. historical financial information of the Company and its subsidiary undertaking for each of the two financial years preceding the publication of this Prospectus;

iii. stock exchange notices, including quarterly reports, distributed by the Company through Oslo Børs' information system following the submission of the application for Listing on Oslo Axess; and

iv. all reports, letters, and other documents and statements prepared by any expert at North Energy's request any part of which is included or referred to in the Prospectus.

## 14.2 Incorporation by reference

The information incorporated by reference in this Prospectus shall be read in connection with the cross-reference list as set out in the table below. Except as provided in this section, no other information is incorporated by reference into this Prospectus.

The Company incorporates by reference the audited consolidated financial statements covering the financial years ended 31 December 2012, 2011 and 2010 and the unaudited interim financial reports for Q4 for the years 2013 and 2012.

| Sections in this Prospectus | Disclosure requirements of the Prospectus | Reference document and link | Page number in reference document |
|---|---|---|---|
| 1,10 | Audited consolidated historical financial information<br><br>(Annex I, Section 20.1) | North Energy ASA – Consolidated Financial Statements 2010 (with audit report): http://www.northenergy.no/images/stories/aarsrapporter/annual_report_2010_nor.pdf | 31-66<br><br>69-69 (auditor's report) |
| | | North Energy ASA – Consolidated Financial Statements 2011 (with audit report): http://www.northenergy.no/images/stories/aarsrapporter/northenergy_arsrapport_engelsk_lowres.pdf | 37-76<br><br>78-79 (auditor's report) |
| | | North Energy ASA – Consolidated Financial Statements 2012 (with audit report): http://www.northenergy.no/images/North_Energy_Annual_report_2012_english.pdf | 40-80<br><br>82-83 (auditor's report) |
| 1,10 | Unaudited interim financial statements<br><br>(Annex I, Section 20.6.1) | North Energy ASA – Unaudited Q4 2012 interim financial statements: http://hugin.info/142168/R/1679507/584431.pdf | 10-14 |
| | | North Energy ASA – Unaudited Q4 2013 interim financial statements:<br><br>http://www.northenergy.no/images/stories/Finansiell_rapporter/2013/NE_InterimReportQ4_2013_web.pdf | 10-15 |

| | | | |
|---|---|---|---|
| | | North Energy ASA – Unaudited Q3 2013 interim financial statements:<br><br>http://hugin.info/142168/R/1738978/584459.pdf | 10-15 |
| | | North Energy ASA – Unaudited First Half 2013 interim financial statements:<br><br>http://hugin.info/142168/R/1724439/584451.pdf | 14-19 |
| | | North Energy ASA – Unaudited Q1 2013 interim financial statements:<br><br>http://hugin.info/142168/R/1699580/584465.pdf | 10-14 |
| 1,10 | Accounting policies<br><br>(Annex I, Section 20.1) | North Energy ASA – Consolidated Annual Accounts 2010: http://www.northenergy.no/images/stories/aarsrapporter/annual_report_2010_nor.pdf | 36-39 |
| | | North Energy ASA – Consolidated Annual Accounts 2011: http://www.northenergy.no/images/stories/aarsrapporter/northenergy_arsrapport_engelsk_lowres.pdf | 42-46 |
| | | North Energy ASA – Consolidated Annual Accounts 2012: http://www.northenergy.no/images/North_Energy_Annual_report_2012_english.pdf | 44-49 |

## 14.3 Third party information

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

## 14.4 Identification of persons responsible

The Prospectus has been prepared by the management of the Company under the instruction and supervision of the Company's Board of Directors. The Board of Directors has assumed the sole responsibility for the information given in the Prospectus and has signed the declaration set out in Section 3 "Responsibility for the Prospectus" of this Prospectus. In the preparation of the Prospectus, the management of the Company has relied on the services of third parties, including the Managers, and Wikborg, Rein & Co. as the Company's legal advisors. The Company has furnished the information in this Prospectus. To the fullest extent permissible by applicable law, the Managers make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers. To the fullest extent permissible by applicable law, the mentioning of these companies acting as advisors shall not create any implication that these parties assume responsibility for the information contained in the Prospectus and no representation or warranty, expressed or implied, is made by any Managers or any of its affiliates or advisors, or adviser to the Company as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any Managers or any of its affiliates or advisors, or Company adviser as to the past, present or future. To the fullest extent permissible by applicable law, the Managers or any of its affiliates or advisors, or adviser to the Company, disclaim all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Prospectus or any such statement.

In making an investment decision, each investor must rely on their own examination, and analysis of, and enquiry into the Company and the terms of the Private Placement, including the merits and risks involved. None of the Company or the Managers, or any of their respective representatives or advisers, is making any representation to any Eligible Shareholder or purchaser of the New Shares regarding the legality of an investment in the New Shares by such Eligible Shareholders or purchaser under the laws applicable to such Eligible Shareholder or purchaser. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

## 14.5 Cautionary note regarding forward-looking statements

This Prospectus contains forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements.

In some cases, forward-looking statements can be identified by terminology such as "may", "will", "could", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, prospective investors should specifically consider various factors, including the risks outlined in the risk factors Section 2 above. These factors may cause the Company's actual results to differ materially from any forward-looking statement. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance or achievement.

Except as required by law, the Company undertakes no obligation to update publicly any forward-looking statements for any reason after the date of this Prospectus to conform these statements to actual results or to changes in our expectations or publicly release the result of any revisions to these forward-looking statements which the Company may make to reflect events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events. Potential investors are advised, however, to consult any further public disclosures made by the Company, such as filings made with Oslo Børs or press releases.

# 15 DEFINITIONS AND GLOSSARY

*The following definitions and glossary apply in this Prospectus unless dictated otherwise by the context, including the foregoing pages of this Prospectus.*

## 15.1 Definitions

| | |
|---|---|
| 4sea Energy: ........................... | 4sea Energy AS, a Norwegian private limited liability company with organisation number 891 083 092 |
| Articles of Association........... | The articles of association of the Company at the date of the Prospectus |
| Board: .................................... | The Board of Directors of North Energy |
| Company: ............................... | See "North Energy" |
| EGM: .................................... | The Company's extraordinary general meeting held on 13 February 2014. |
| EMGS..................................... | Electromagnetic Geoservices ASA, a Norwegian Publicly Limited Liability company listed on Oslo Stock Exchange and registered in the Register of Business Enterprises with organisation number 984195486. |
| EMGS License Agreement: ... | The agreement entered into between the Company and EMGS on 10 January 2014, for the license of EMGS' EM data library for the Barents Sea. |
| Facility.................................... | Means the Company's revolving exploration credit facility with DNB and SEB |
| Farm-in/out............................. | A Farm-in/out Agreement is a contract signed between two companies, the Farmor and the Farmee, where the Farmor is the owner of the acreage and the Farmee is willing to perform the drilling and exploration in the acreage of the Farmor. |
| Foreign Personal Shareholders........................... | Shareholders who are individuals not resident in Norway for tax purposes |
| Foreign Corporate Shareholders.......................... | Shareholders who are limited liability companies (or certain similar entities) not resident in Norway for tax purposes. |
| Group...................................... | The Company and 4sea Energy |
| IFRS: ..................................... | International Financial Reporting Standards |
| Investor:.................................. | Legal and physical persons subscribing for the New Shares in the Private Placement. |
| Listing: .................................. | The listing of the New Shares issued in the Private Placement on Oslo Axess |
| Managers: ............................... | Carnegie AS (Grundingen 2, 0250 Oslo, Norway) and Pareto Securities AS (Dronning Mauds gate 3, 0115 Oslo, Norway) |
| Money Laundering Act:......... | The Money Laundering Act of 6 March 2009, No 11 ("Hvitvaskingsloven"). |
| New Shares............................. | Refers to the new Shares issued in the Private Placement |
| NOK: ..................................... | Norwegian Kroner, the lawful currency of Norway. |
| North Energy:......................... | North Energy ASA, a Norwegian public limited liability company with organisation number 891 797 702 |
| Code of Practice: .................... | "The Norwegian Code of Practice for Corporate Governance", recommended by Norsk Utvalg for Eierstyring og Selskapsledelse (NUES) of 23 October 2012 |
| Norwegian Corporate Shareholders........................... | Shareholders who are limited liability companies (and certain similar entities) resident in Norway for tax purposes. |
| Norwegian General Tax Act or GTA:................................... | The Norwegian General Tax Act of 26 March 1999, no. 14 (Nw. skatteloven) |
| Norwegian Personal Shareholders........................... | Shareholders who are individuals resident in Norway for tax purposes. |
| Norwegian Petroleum Tax Act or PTA: ........................... | The Norwegian Petroleum Tax Act of 13 June 1975, no. 35 (Nw. petroleumsskatteloven). |
| Norwegian Public Limited Companies Act:...................... | The Norwegian Public Limited Companies Act of 13 June 1997, no. 45 (Nw. allmennaksjeloven). |

| | |
|---|---|
| Norwegian Securities Trading Act or STA: | The Norwegian Securities Trading Act of 28 June 2007, no. 75 (Nw. verdipapirhandelloven). |
| Oslo Axess: | Oslo Axess, a regulated market place for equities operated by the Oslo Stock Exchange (Oslo Børs ASA). |
| Oslo Børs or OSE: | Oslo Børs ASA (in English: "the Oslo Stock Exchange"). |
| Private Placement | Private placement of 71,250,000 Shares at NOK 4.00 per Share announced on 21 January 2014 and resolved by the extraordinary general meeting of the Company on 13 February 2014. |
| Prospectus: | This Prospectus dated 6 March 2014, appendix and documents incorporated by reference. |
| Prospectus Directive: | Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in each Relevant Member State), and any relevant implementing measure in the Relevant Member State. |
| Register of Business Enterprises: | The Norwegian Register of Business Enterprises at Brønnøysund, Norway (in Norwegian: Foretaksregisteret). |
| Relevant Member State | Each member state of the EEA which has implemented the Prospectus Directive |
| Rex | Rex Oil & Gas Limited, a private limited company established under the laws of Singapore with registration number 201301242M. |
| Rex Technology | Rex Technology Management Ltd., a private limited company established under the laws of the British Virgin Islands with registration number 1504624. |
| SEC | The U.S. Securities and Exchange Commission |
| Share(s): | "Shares" means all common shares in the capital of North Energy, including the New Shares, each with a par value of NOK 1 and "Share" means any one of them. |
| Subscription Price | NOK 4 per Share |
| U.S. Securities Act: | The U.S. Securities Act of 1933, as amended. |
| USD: | United States Dollars. |
| VPS account: | An account with VPS for the registration of holdings of securities. |
| VPS: | The Norwegian Central Securities Depository (Nw. Verdipapirsentralen or VPS). |
| 2010 PD Amending Directive: | Directive 2010/73/EU |

## 15.2 Glossary of Terms

*Terms and expressions used in the oil and gas industry and technical terms used in the description of the Company is set out below.*

| | |
|---|---|
| 1 barrel: | One tierce, corresponding to 1 barrel = 42 gallons ~ 159 liters. |
| 1 Sm3: | One standard cubic meter = 6.293 barrels of oil. 1 Sm3 oil corresponds to 1000 Sm3 gas (one oil equivalent; o.e.). |
| 2D: | Powerful echo sounders that receive sound reflected from the underground along straight lines. |
| 3D seismic: | As 2D seismic, but here the sound is captured in a net of receivers, enabling the construction of a three-dimensional picture of the underground. Smaller oil traps can more often than not be mapped only with the use of 3D seismic. All North Energy's prospects have been mapped using 3D seismic. |
| APA: | Awards in Predefined Areas (TFO in Norwegian), an annual licensing round in mature areas on the Norwegian Shelf. |
| Barrels: | 1 barrel (bbl) equals 159 litres or 6.293 Standard m3. mmbbls = million barrels. |
| BBL: | Barrel of oil (=159 litre) |

| | |
|---|---|
| Bboe: ...................................... | Billion barrel of oil equivalent |
| Boe: ....................................... | Barrel of oil equivalent |
| CNG....................................... | Compressed Natural Gas |
| CRM: ..................................... | Create Risks Maps |
| DoD: ...................................... | Drill or Drop decision related to production licenses awarded on the NCS. The partnership makes a decision to whether to a) drill the prospect or b) relinquish the license by returning it to the government. |
| EM: ........................................ | Electromagnetic surveys |
| E&P: ...................................... | Exploration & production. |
| FPSO: .................................... | Floating Production Storage and Offloading unit |
| G&G: ..................................... | Geology and Geophysics. |
| Gross mean unrisked rec:....... | volumetric estimate for recoverable hydrocarbons in a prospect on a 100% basis, i.e. not adjusted for the partner's respective shareholding in the license, and not adjusted for the probability of making a discovery. |
| HSE: ...................................... | Health, Safety and Environment |
| IASB:..................................... | International Accounting Standards Board |
| ICT:..................................... | Information and Communications Technology |
| JOA:....................................... | Joint Operating Agreement. |
| mmboe:.................................. | million barrel of oil equivalent |
| MoF: ...................................... | Ministry of Finance |
| MPE:...................................... | Ministry of Petroleum and Energy |
| MT: ........................................ | Metric Tonne (= 1,000 kilogram) |
| NCS: ...................................... | Norwegian Continental Shelf |
| Net mean unrisked rec: .......... | volumetric estimate for recoverable hydrocarbons in a prospect on a net basis, i.e. adjusted for the partner's respective shareholding in the license, but not adjusted for the probability of making a discovery. |
| NGL: ..................................... | Natural Gas Liquid |
| NOC: ..................................... | National Oil Company |
| NPD:...................................... | Norwegian Petroleum Directorate. |
| O.E.:...................................... | Oil Equivalent. |
| OPEC:.................................... | The Organisation of Petroleum Exporting Countries |
| PDO:...................................... | Plan for Development and Operation. |
| PIO: ....................................... | Plan for Installation and Operation. |
| Production license................. | A license to explore and produce hydrocarbons on the NCS (in Norwegian: Utvinningstillatelse). |
| Prospect: ................................ | A defined volume that has been mapped where it is probable that hydrocarbons are present. |
| Prospective resources:............ | Prospective resources are those deposits that are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. |
| Prospectivity:....................... | Probability to discover commercial resource of hydrocarbons in a prospect |
| PSA:....................................... | Petroleum Safety Authority Norway. |
| PVT parameters: .................... | Pressure Volume Temperature parameters |
| QC process: ........................... | Quality Control process |
| Q1: ......................................... | First quarter |

| | |
|---|---|
| Q2: .......................................... | Second quarter |
| Q3: .......................................... | Third quarter |
| Q4: .......................................... | Fourth quarter |
| R&D: ..................................... | Research and development. |
| RES:....................................... | Reservoir Evaluation Services. |
| Reserves: ................................ | Commercial discoveries of hydrocarbons that are in field where a PDO has been approved or where a formal decision to submit a PDO has been made in the License. |
| Contingent resources............. | Contingent resources are those deposits that are estimated, on a given date, to be potentially recoverable from known accumulations but that are not currently considered commercially recoverable. |
| RVD: ..................................... | Resonance technology known as Rex Virtual Drilling |
| Seismic AVO: ....................... | Seismic Amplitude vs. Offset |
| SDFI: ..................................... | The State's Direct Financial Interest |
| Sm3/d: .................................... | Standard cubic meters per day. |
| Sm3:....................................... | Standard cubic meters. |
| SPE: ....................................... | Society of Petroleum Engineers. |
| Stortinget:............................ | The Norwegian Parliament |
| YTD:...................................... | Year- to-date |
| ÅTS: ...................................... | Åsgård Transport System |

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