Prospectus

North Energy ASA
(a public limited liability company organised under the laws of Norway)
Organisation number 891 797 702

Listing of 15,000,000 Placement Shares resolved issued in the Private Placement and up to 1,500,000 Offer Shares to be issued in connection with the Offering.

Offering to Eligible Shareholders of up to 1,500,000 Offer Shares, each with a nominal value of NOK 1.00, at subscription price of NOK 10 per Offer Share, with non-transferable Subscription Rights for Eligible Shareholders in North Energy ASA as of 9 February 2012.

Subscription rights that are not exercised and used for subscription of Offer Shares by Eligible Shareholders prior to the expiry of the Subscription Period will be of no value and will lapse without any compensation to the holder.

Subscription period for the Offering:
From and including 6 March to 09:00 (CET) on 19 March 2012

THE OFFER SHARES OFFERED IN THE OFFERING HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED. SEE "RISK FACTORS" IN SECTION 2 FOR A DISCUSSION OF CERTAIN MATTERS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SHARES

Joint Lead Managers

DNB MARKETS

Pareto Securities ASA

2 March 2012

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 (i) the offering of up to 1,500,000 Offer Shares issued in the Offering and (ii) the Listing of 15,000,000 Placement Shares and up to 1,500,000 Offer Shares of the Company on Oslo Axess.

This Prospectus has been prepared to comply with the Norwegian Securities Trading Act and related secondary legislation including the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (hereafter, "EC Commission Regulation 809/2004"). The Prospectus has been prepared solely in the English language. The Norwegian Financial Supervisory Authority has reviewed and approved this Prospectus in accordance with the Norwegian Securities Trading Act Sections 7-7 and 7-8.

The information contained herein is only updated as of the date hereof and subject to change, completion or amendment without notice. In accordance with the Norwegian Securities Trading Act Section 7-15, any new factor, significant error or inaccuracy that might have an effect on the assessment of the financial instruments contemplated hereby and emerges between the time of publication of the Prospectus and the Listing of the Shares, will be included in a supplement to the Prospectus. Such supplement must be approved by the Norwegian Financial Supervisory Authority. Neither the publication nor distribution of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that the information herein is correct as of any date subsequent to the date of the Prospectus.

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 Offering, 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 Offer Shares regarding the legality of an investment in the Offer 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.

All inquiries relating to this Prospectus, the Offering and the Listing should be directed to the Company or the Managers. The Company has furnished the information in this Prospectus. 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. The Managers 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 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 this Offering 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.

Offer Restrictions

The distribution of this Prospectus or any separate summary documentation regarding the Offering, and the making of the Offering, may in certain jurisdictions (including, but not limited to, the United States of America, Canada, Australia, the Republic of South Africa or Japan), be restricted by law. Therefore, persons obtaining the Prospectus or into whose possession the Prospectus otherwise comes, are required to inform themselves of and observe all such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Neither North Energy nor the Managers will accept or assume any responsibility or liability for any violation by any person whomsoever of any such restriction.

The Prospectus is not directed to persons whose acceptance of the Offering requires that (i) further documents are issued in order for the Offering to comply with local law or (ii) registration or other measures are taken pursuant to local law. No document or material relating to the Offering may be distributed in or into any country where such distribution or offering requires any of the aforementioned measures to be taken or would be in conflict with any law or regulation of such country. In the event such distribution or offering nevertheless is made, an acceptance form sent from such a country may be disregarded as non-binding on North Energy.

The securities described in this Prospectus have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S of the U.S. Securities Act). Furthermore, the Offer Shares may not be offered or sold in or into Canada, Japan, the Republic of South Africa or Australia.

In relation to the United Kingdom, this Prospectus is only directed at, and may only be distributed to, persons who fall within the scope of Article 19 (Investment Professionals) and 49 (High Net Worth Companies, Unincorporated Associations etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) or who are persons to whom the document may otherwise be lawfully distributed. This Prospectus may only be distributed in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of Public Offers of Securities Regulations 1995 (as amended). The distribution (which term shall include any form of communication) of this Prospectus may be restricted pursuant to Section 21 (Restrictions on Financial Promotion) of the Financial Services and Markets Act 2000 (as amended).

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Appendices

1 SUMMARY

The following summary should be read as an introduction to the Prospectus and in conjunction with it, and is qualified in its entirety, by the more detailed information in the Prospectus and the Appendices appearing elsewhere in this Prospectus. Any decision to invest in the securities described herein should be based on consideration of the Prospectus as a whole by the Investor.

The Prospectus has been prepared in the English language only.

In case a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might have to bear the cost of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

1.1 Information about the Company

1.1.1 Overview

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 Kunnskapsparken, Markedsgata 3, 9504 Alta, Norway, Telephone: +47 78 60 79 50, Telefax: +47 78 60 83 50, and a branch office in Oslo, Norway. The Company's web site is www.northenergy.no.

1.1.2 History and development of the Company

The idea to form North Energy as an independent E&P 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 founding members of the Company were four leading members of the business community in the North, Harald Karlstrøm of Origo, Tore Andreassen of ProNord, Johan Petter Barlindhaug, the present chairman of the company, and Leif Finsveen of Salten Kraftsamband.

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.

North Energy is currently participating in 25 production licenses in the North Sea, the Norwegian Sea and Barents Sea. The Company has considerable exploration expertise and also meets all the formal requirements to be able to undertake drilling operations. Presently, 49 people are permanently employed in the Company while close to 25 more specialised geoscientists work for the Company on a continuous basis.

1.1.3 Historic milestones

2007	September	North Energy was established on the banks of Alta River
	November	Erik Karlstrøm takes office as the Chief Executive Officer
	2007-2009	Financed by capital from Northern Norway
2008	August	Prequalified as a licensee
	December	Awarded two licences in the APA 2008
2009	March	Prequalified as operator
	April	Awarded four licences in the 20th round, including an operatorship
	2nd half of the year	Acquired two licences PL 385 and PL 433
	December	Awarded three licences in the APA 2009
2010	February	Raised NOK 400 million in financing
		Listed on Oslo Axess/Acquisition of 4sea energy

	April	Discovery in PL 433 Fogelberg
	October	Acquisition of PL 341 Stirby
	December	Non-commercial discovery of hydrocarbons in PL 341 Stirby
2011	January	Awarded five licenses in the APA 2010
	March	Awarded two licences in the 21th round, including an operatorship
	March-July	Acquisition of PL 370 Kakelborg, PL 450 Storebjørn and increase in PL 385 Jette
	August	Successful formation test of gas discovery PL 535 Norvarg
	2nd half of the year	Dry wells on PL 530 Heilo and PL 518 Zapffe
2012	January	Awarded two licenses in the APA 2011
	February	Fogelberg gas discovery sold for NOK 70 million
	February	Announces conditional Private Placement of NOK 150 million

1.1.4 Business overview

During its first year of operation, North Energy qualified as a license holder on the NCS, was awarded interests in licenses in the Barents Sea and the Norwegian Sea, and was also prequalified as operator. This is the shortest qualification time to date for new companies 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.

North Energy will continue to place high focus on technical competence and innovative solutions, both in thorough subsurface evaluation of new prospects and in development solutions that ensure high recovery of hydrocarbons through the use of new technology. A regional focus and cooperation with the supply industry allow for alternative development options including transport to shore, a concept often favoured by local communities. 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.

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The Company is now a participant in 25 licenses in the Barents Sea, Norwegian Sea and the North Sea, and has been appointed as operator of PL 526 and PL 590:

- Two licences were awarded in the APA 2008 round (December 2008):
  - 30 % in PL 518 in the Barents Sea
  - 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
  - 20 % in PL 535 in the Barents Sea
  - 20 % in PL 536 in the Barents Sea
  - 40 % in PL 526 in the Norwegian Sea as operator
- Three licenses were awarded in the APA2009 round (January 2010):
  - 30 % in PL518B in the Barents Sea
  - 10 % in PL562 in the Norwegian Sea
  - 20 % in PL564 in the Barents Sea
- Five licenses were awarded in the APA2010 round (January 2011):
  - 20 % of PL 594 in the Barents Sea
  - 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 APA2011 round (January 2012):
  - 20 % PL616 in the North Sea
  - 10 % PL656 in the Norwegian Sea
- Farm-ins:
  - 12 % of PL 433 from Centrica
  - 15 % of PL 385 from Statoil
  - 11% of PL 341 from Talisman
  - 10 % of PL 370 / 370B from Wintershall
  - 20 % of PL 385 from Wintershall
  - 15 % of PL 450 from Det norske oljeselskap
- Acquisition of 4sea energy:
  - 25 % of PL 498 in the North Sea
  - 25 % of PL 503 in the North Sea

1.1.5 Vision and 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 on 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.

On 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. 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 develop this concept further and to transfer positive experiences from Finnmark to drilling outside the Nordland County.

1.2 Financial information

1.2.1 Summary of income statement

Set out below is the audited IFRS income statement for the Company for the years ended 31 December 2008, 2009, 2010 and unaudited financial information for the year ended 31 December as derived from the 31 December interim financial information, together with unaudited financial information for fourth quarter 2011 and unaudited financial information for fourth quarter 2010:

(Figures in `000 NOK)	**Q4 2011 unaudited**	**Q4 2010 unaudited**	**Year 2011** unaudited	**Year 2010** audited	**Year 2009** audited	**Year 2008** audited
Revenues	0	0	0	0	0	0
Payroll and related cost	(16 453)	(16 116)	(70,949)	(62,149)	(62,370)	(41,969)
Depreciation and amortisation	(2 150)	(1 497)	(7,179)	(4,593)	(3,414)	(2,013)
Exploration expenses	(198 176)	(118 646)	(340,154)	(179,049)	(113,098)	(62,789)
Other operating expenses	(10 641)	(10 370)	(40,004)	(43,445)	(28,752)	(34,031)
Operating profit (loss)	**(227 420)**	**(146 629)**	**(458,286)**	**(289,236)**	**(207,633)**	**(140,802)**
Finance income	8 842	4 285	18,602	9,464	4,300	1,925
Finance cost	(13 171)	(1 479)	(32,095)	(4,740)	(5,113)	(1,405)
Profit (loss) before tax	**(231 748)**	**(143 823)**	**(471,780)**	**(284,512)**	**(208,446)**	**(140,282)**
Income tax (charge) credit	182 399	98 062	361,223	221,596	144,029	101,005
Profit (loss) for the period	**(49 349)**	**(45 761)**	**(110,556)**	**(62,916)**	**(64,417)**	**(39,277)**
Earnings (loss) per share (NOK):						
- Basic	(1,96)	(1,82)	(4,39)	(2,67)	(8,07)	(119.06)
- Diluted	(1,96)	(1,82)	(4,39)	(2,67)	(8,07)	(119.06)
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 interim financial reports.

1.2.2 Balance sheets

Set out below is the consolidated audited IFRS balance sheets for the Company for the years ended 31 December 2008, 2009, 2010 and the unaudited IFRS balance sheets for 2011:

(Figures in `000 NOK)	**Q4 2011 unaudited**	**Q4 2010 unaudited**	**31 Dec 2011** unaudited	**31 Dec 2010** audited	**31 Dec 2009** audited	**31 Dec 2008** audited
Assets						
Property, plant and equipment	22,072	16,167	22,072	16,167	13,387	15,597
Capitalized exploration and license cost	376,719	128,214	376,719	128,214	9,382	0
Long term receivables and other prepayments	19,765	17,528	19,765	17,528	9,782	4,507
Total non-current assets	**418,556**	**161,909**	**418,556**	**161,909**	**32,551**	**20,104**
Current assets						
Prepayments and other receivables	54,854	37,926	54,854	37,926	15,118	7,717
Tax receivables from refund	553 550	347,532	553 550	347,532	148,960	101,005
Financial asset	0	4,674	0	4,674	0	
Cash and cash equivalents	34,026	86,015	34,026	86,015	45,671	13,331
Total current assets	**642 610**	**476,147**	**642 610**	**476,147**	**209,748**	**122,053**
Total assets	**1 061 167**	**638,056**	**1 061 167**	**638,056**	**242,299**	**142,157**
Equity						
Paid in capital	660,936	660,861	660,936	660,861	269,772	161,531
Retained earnings	(291,159)	(180,685)	(291,159)	(180,685)	(116,837)	(52,588)
Total equity	**369,777**	**480,176**	**369,777**	**480,176**	**152,935**	**108,943**
Non-current liabilities						
Pension liabilities	18,766	15,346	18,766	15,346	6,110	1,818
Deferred tax	202 225	45,791	202 225	45,791	0	
Total non-current liabilities	**220 991**	**61,137**	**220 991**	**61,137**	**6,110**	**1,818**
Current liabilities						
Current borrowings	348,348	0	348,348	0	45,000	9,289
Trade creditors	66,108	47,185	66,108	47,185	16,949	5,712
Other short-term liabilities	55,943	49,559	55,943	49,559	21,305	16,395
Total current liabilities	**470,399**	**96,743**	**470,399**	**96,743**	**83,254**	**31,396**
Total equity and liabilities	**1 061 167**	**638,056**	**1 061 167**	**638,056**	**242,299**	**142,157**

The figures are extracted from the Company's consolidated audited annual financial statements and the Company's unaudited financial information for the year ended 31 December 2011 as derived from the 31 December 2011 interim financial information.

1.2.3 Trends

Except for the sale of PL 433 "Fogelberg" on 9 February 2012 (see section 4.7.1), the Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Company after 31 December 2011, and to the date of this Prospectus.

1.2.4 Capitalisation and indebtedness

As of 31 December 2011, the Company's assets were NOK 1,061 million, net financial debt was NOK (172) million and total equity was NOK 370 million.

1.2.5 Research and development and patents and licenses

The Company holds no patents or licences (other than the production licences described above in 1.1.3) that are business critical or any other significant patents.

1.2.6 Working capital statement

As of the date of this Prospectus, it is the Company's opinion that the Group's working capital is sufficient for the Group's present requirements.

1.3 Board, senior management and employees

1.3.1 Board

The Company's Board consists of: Johan Petter Barlindhaug (Chairman), Harriet Hagan (Board member), Leif Willy Finsveen (Board member), Hans Kristian Rød (Board member), Brynjar Forbergskog (Board member), Ole Njærheim (Board member), Heidi M. Petersen (Board member), Guri Helene Ingebrigtsen (Board member) and Jørn Olsen (Board Member; Employee Representative).

1.3.2 Senior Management

The Company's senior management consists of: Erik Karlstrøm (CEO), Knut Sæberg (CFO), Vigdis W. Jacobsen (Business Development and Portfolio Manager), Erik Henriksen (Exploration Manager), Astrid M. Tugwell (Development Manager), Marion Høgmo (Administration Manager), Kristin Ingebrigtsen (Director of Strategy and Public Relations) and Lars Tveter (HSE Manager).

1.3.3 Employees

As of the date of this Prospectus, North Energy has 49 employees.

1.4 Major shareholders and related party transactions

1.4.1 Major shareholders

As of 31 January 2012, the five largest shareholders in the Company were:

	Shareholder	Number of Shares	%
1	Euroclear Bank S.A./N.V.	2,361,900	9.39
2	SKS Eiendom AS	1,824,920	7.26
3	JPB AS	1,370,000	5.45
4	Origo Kapital AS	1,343,569	5.34
5	OM Holding AS	933,808	3.71

1.4.2 Related party transactions

The Company is not aware that it has entered into contracts of any significance and not on market terms with any shareholder in the Company.

1.5 Advisors and auditors

The Managers for the Listing and the Offering:

DNB Markets, a part of DNB Bank ASA and Pareto Securities AS.

Legal counsel to the Company:

Wikborg, Rein & Co.

Legal counsel to the Managers:

Advokatfirmaet Thommessen AS

Company's Auditor:

PricewaterhouseCoopers AS

Skippergaten 35-39

9008 TROMSØ

1.6 Additional Information

1.6.1 Share Capital

As at the date of this Prospectus, the registered share capital of the Company is NOK 25,224,393, consisting of 25,224,393 Shares, each with a par value of NOK 1.0.

1.6.2 Articles of Association

The Articles of Association of North Energy are included as Appendix 1 to this Prospectus.

The Company's purpose according to its articles is to engage in exploration, development and production of oil and gas on the Norwegian shelf and on the Russian side of the Barents Sea, and to own or participate in companies conducting similar activities, including through subsidiaries, cf. article 3. The Company has one class of shares. The Board shall consist of 3 to 9 members.

The Articles of Association do not provide for any rights, preferences or restrictions attaching to the Shares beyond those provided by the Norwegian Public Limited Companies Act. Neither the Articles of Association nor the Norwegian Public Limited Liability Companies Act restricts ownership of the Shares. There are no limitations under Norwegian law to the rights of non-residents or foreign owners to hold or vote the shares. The Articles of Association do not impose more stringent conditions for changing the capital of the Company than required by law. There are no limitations on the transferability of the Shares under Norwegian law or the Articles of Association.

1.6.3 Documents on display

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

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

ii. the audited financial statements for the Company, 4 sea Energy AS and 4 sea Energy Ltd the years ended 31 December 2009, and 2010, and the unaudited financial information for the year ended 31 December as derived from the 31 December 2011 interim financial information for the Company; and

iii. stock exchange notices, including quarterly reports, distributed by the Company through Oslo Børs' information system as from 28 December 2009.

1.7 Summary of the Offering and timetable

An overview of the Listing and the Offering of the Offer Shares is set out below:

Offering	
The Offering......................................	Up to 1,500,000 Offer Shares in North Energy.
Offer Price per Share..........................	NOK 10 per Offer Share.
Use of proceeds:................................	The proceeds will be used to finance operating costs and to secure funding of its ongoing exploration program and new wells.
Offer Period.......................................	From and including 6 March 2012 to and including 19 March 2012
Allocation date	On or about 19 March 2012
Payment date	On or about 22 March 2012
Distribution of allocated shares to the Subscribers	On or about 27 March 2012
First day of trading of the Offer Shares:...	On or about 27 March 2012
General information on the Shares	
ISIN..	NO 001 0550056
Ticker Oslo Børs	"NORTH"
Dilution:	The share capital increase following the Offering and the Private Placement represents a dilution of 39.5 % if the Offering is fully subscribed.
Expenses:...	Costs attributable to the Listing and the Offering will be borne by the Company. Assuming full subscription in the Offering, the total costs from the Offerings are expected to amount to approximately NOK 9 million. In addition cost related to fees to Oslo Børs and the NFSA, printing and distribution of

	this Prospectus, costs to legal advisors and the Company’s auditor will be borne by the Company.

1.8 Summary of risk factors

A number of risk factors may adversely affect North Energy. Set out below is a brief summary of the most relevant risk factors described in Section 2. Neither this summary nor the risks described in Section 2 are exhaustive, and other risks not discussed herein may also affect North Energy. Prospective investors should consider carefully the information contained in this Prospectus and make an independent evaluation before making an investment decision.

The following risk factors are described in Section 2:

- North Energy's success depends on its ability to appraise, find, acquire, develop and produce oil and gas reserves that are economically recoverable;
- Report of prospective resources represents estimates which may be inaccurate or incorrect
- North Energy's operations depend on political, economic and administrative policies adopted by the Norwegian State
- Exploration projects do not necessarily result in a profit on the investment or the recovery of costs ;
- Resources information represents the Company’s estimates which may turn out to be inaccurate or incorrect;
- North Energy may miss out on exploration opportunities if it is unable to successfully co-ordinate its exploration projects;
- North Energy cannot accurately predict its future decommissioning liabilities;
- Substantial investment required;
- Risks relating to the price of oil and gas;
- Exchange rate risks;
- Political and regulatory risks related to the fiscal regime for petroleum producers
- Health, Safety and Environmental (HSE) risks;
- The industry in which the Company operates is highly competitive;
- North Energy relies on third parties;
- Risk of joint and several liabilities with its license partners;
- North Energy holds a number of licenses in their initial terms;
- North Energy is dependent on attracting and retaining key personnel;
- Risks associated with labour disputes;
- Risk of damaged equipment and insurance policies;
- Dependence on oil field services providers;
- Risk associated with the global financial crisis;
- Financial liquidity risk;
- Interest rate risks;
- Risk attached with financing of exploration costs
- Volatility of share price;
- Liquidity of the Shares;
- Risks associated with dilution;
- Limitations on U.S. Law enforcement;
- Additional risk for holders of the Company’s Shares that are registered in a nominee account;
- The transfer of Shares is subject to restrictions in certain jurisdictions; and
- Limitations to make claims against 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. Future increases in 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.

Report of 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.

Probable reserves are more difficult to determine than proven reserves and involve a greater risk that they are not actually recovered. Under the SPE standards, probable reserves are those unproved reserves that analysis of geological and engineering data suggests are more likely than not to be recoverable. The SPE standards applicable to calculations of proved reserves are less strict than the principles of the US Securities and Exchange Commission (the "SEC"). For example, the SPE standards require "reasonable certainty" of existence with respect to reserves in undeveloped drilling sites that are located at more than one well location from a commercially producing well, for such reserves to be classified as "proved". The SEC principles require that such existence be "demonstrated with certainty". Information relating to estimated probable reserves would not be permitted to be reported under the SEC principles. There is a greater risk that probable reserves will not actually be recovered as compared to proved reserves.

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.

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 licences 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 licences 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 licence 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 for 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 could in turn have a material adverse effect on North Energy's business, financial condition, operating results and/or cash flow..

Certain HSE laws that apply to the 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. Participants in North Energy's assets may 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 licences 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 act 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 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 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 Company in connection with the (i) listing on Oslo Axess of 15,000,000 Placement Shares and up to 1,500,000 Offer Shares of the Company and (ii) the Offering of the Offer Shares to be issued in the Offering.

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.

2 March 2012

The Board of North Energy ASA

Johan Petter Barlindhaug	Leif Finsveen	Brynjar Forbergskog
Harriet Hagan	Ole Njærheim	Hans Kristian Rød
Heidi M. Petersen	Guri H. Ingebrigtsen	Jørn Olsen

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 Kunnskapsparken, Markedsgata 3, 9504 Alta, Norway, Telephone: +47 78 60 79 50, Telefax: +47 78 60 83 50, and a branch office in Oslo, Norway. The Company's web site is www.northenergy.no.

4.2 Company overview and history

The idea to form North Energy as an independent E&P 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 (Pb 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.

North Energy is currently participating in 25 production licenses in the North Sea, the Norwegian Sea and Barents Sea. The Company has considerable exploration expertise and also meets all the formal requirements to be able to undertake drilling operations. Presently, 49 people are permanently employed in the Company while close to 25 more specialist geoscientists work for the company on a continuous basis.

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 on 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.

On 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. 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 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 25 licenses in the Barents Sea, Norwegian Sea and the North Sea, and has been appointed as operator of PL 526 and PL 590:

- Two licences were awarded in the APA 2008 round (December 2008):
  - 30 % in PL 518 in the Barents Sea
  - 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
  - 20 % in PL 535 in the Barents Sea
  - 20 % in PL 536 in the Barents Sea
  - 40 % in PL 526 in the Norwegian Sea as operator
- Three licenses were awarded in the APA 2009 round (January 2010):
  - 30 % in PL518B in the Barents Sea
  - 10 % in PL562 in the Norwegian Sea
  - 20 % in PL564 in the Barents Sea
- Five licenses were awarded in the APA 2010 round (January 2011):
  - 20 % of PL 594 in the Barents Sea
  - 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 % PL 616 in the North Sea
  - 10 % PL 656 in the Norwegian Sea
- Farm-ins:
  - 12 % of PL 433 from Centrica
  - 15 % of PL 385 from Statoil
  - 11 % of PL 341 from Talisman
  - 10 % of PL 370 / 370B from Wintershall
  - 20 % of PL 385 from Wintershall
  - 15 % of PL 450 from Det norske oljeselskap
- 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 production close to existing infrastructure with short lead time to 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 APA 2009, 2010 and 2011 North Energy applied for exploration acreage in proven hydrocarbon provinces with established infrastructure and production licenses. North Energy has succeeded in the strategy in four licence awards; PL 526, PL 587, PL 590 and the recent production licence 616. In future Concession Rounds North Energy will focus on acreage within both proven hydrocarbon provinces with expected low risk and short lead time to production, as well as regions with high risk and high reward potential.

The Company has so far completed six equity farm-ins in areas with historical proven high probability of success (see above). PL 433 made a gas discovery in Fogelberg most likely turning into a commercial gas field, and PL 341 made a tight discovery in Stirby. PL 450 spudded Storebjørn in January 2012. PL 370 Kakelborg and PL 385 Jette will be drilled later in 2012. The combined effect of these farm-in wells will increase the probability of success for the Company.

In Pl 535, on the Norvarg dome, a significant gas discovery was made in 2011. In the prospect, which covers an area of 1-2 blocks, gas was discovered in several intervals. A successful Drill Stem Test of the Kobbe Formation reservoir was run. Preliminary estimates by North Energy indicate recoverable volumes ranging from 150 – 500 mmboe, with a P 50 case of 260 mmboe. In order to clarify the full resource potential further an appraisal well is planned in 2013.

Potential drilling of six additional wells (i.e. pending DoD decisions) in less mature areas in licenses awarded in concession rounds is expected to take place in 2013. These are: PL 564 (Kvitungen), PL 594 (Bikko), PL 590 (Mikkeli), PL 536 (Elbrus), PL 562 Lepus and PL 503 (Valberget).

North Energy will in the future actively also explore virgin areas with higher risk. In these areas prospects with a large potential and a longer lead time to production can still be found. The classic concession round on the NCS is targeted as a major event to secure a reserves base for the future. The company delivered ten applications for the 20th/21st Rounds and also has the ambition to aggressively pursue opportunities in the forthcoming 22nd Round on the NCS. High quality acreage in more unexplored regions may provide major hydrocarbon discoveries allowing North Energy to grow to a major company in the longer term.

4.6 Overview of the licenses on the Norwegian Continental Shelf

Below is an overview of the 25 production licenses of North Energy including the two APA2011 awards of 18th of January 2012, (Fig 4.7.1 and Table 4.7.1).

Figure 4.7.1: Overview of production licenses.

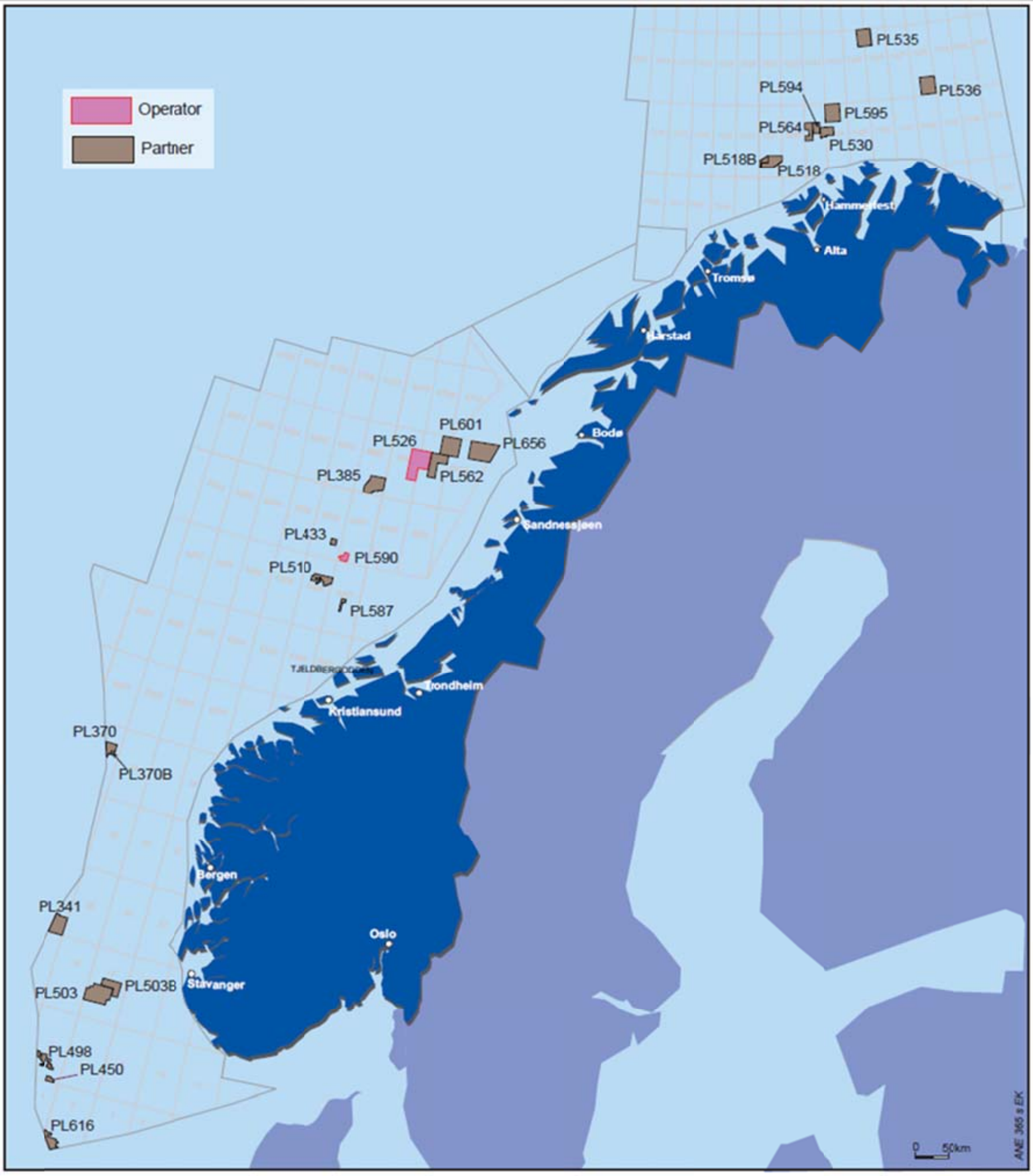


Table 4.7.1: License overview

License	Interest	Operator	Main Prospect
PL 385	35 %	Statoil	Jette
PL 341	11 %	Det Norske	Stirby/Lyderhorn License has been relinquished
PL 370	10 %	Wintershall	Kakelborg
PL 370B	10 %	Wintershall	Kakelborg extension
PL 433	12 %	Centrica	Fogelberg
On 9 February 2012, the Company entered into an agreement with Centrica to sell PL 433 "Fogelberg". The transaction is pending governmental approval, see item 4.7.1 below.			
PL 450	15 %	Det Norske	Storebjørn
PL 498	25 %	Lotos	Skagen
PL 503	25 %	Lotos	Valberget
PL 503B	25 %	Lotos	Valberget extension
PL 510	20 %	Centrica	Scarecrow Will be relinquished
PL 526	40 %	North Energy	Vågar & Karl DoD Q1 2012
PL 518	30 %	DONG	Zapffe Second well awaiting decision
PL 518B	30 %	DONG	Omega W (lead)
PL 530	20 %	GdF Suez	Heilo Second well awaiting decision
PL 535	20 %	Total	Norvarg Appraisal H1 2013
PL 536	20 %	Statoil	Elbrus DoD 2012
PL 562	10 %	Dana	Lepus
PL 564	20 %	OMV	Kvitungen DoD 2012
PL 587	40 %	Edison	Grenoble
PL 590	40 %	North Energy	Mikkeli DoD 2012
PL 594	20 %	Statoil	Bikko DoD 2013
PL 595	40 %	Edison	Jaktfalk
PL 601	20 %	Wintershall	Nupen West
PL 616	20 %	Edison	Skagastøl
PL 656	10 %	E.ON Ruhrgas	Selsbane

4.7 Discoveries

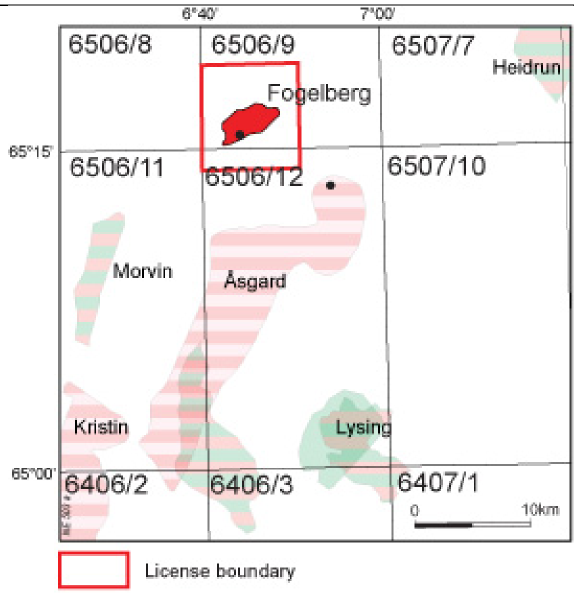
4.7.1 PL 433 Fogelberg, North Energy 12 %

The Fogelberg gas condensate discovery is located north of the Smørbukk Field (part of Åsgard development) and northeast of the Morvin Discovery. Fogelberg is situated towards the deeper part of the basin to the west and is placed in the middle of the charge fairway for hydrocarbons migrating up towards the discoveries in the area.

The Company's 12 % interest in PL 433 "Fogelberg" was sold to Centrica 9 February 2012 for NOK 70 million. The transaction is pending governmental approval.

Figure 4.8.1: PL 433 in the Norwegian Sea

Acquired	2009
Expiry date	BoV February 2014
	PDO February 2015
Blocks	6506/9 and 12
Area................................	79 km^2
Operator	Centrica Resources AS (28 %)
Partners	North Energy AS (12 %)
	Faroe Petroleum Norge AS (15 %)
	E.ON Ruhrgas Norge AS (15 %)
	Petro-Canada Norge AS (30 %)
Work program	Fulfilled - Drilled one firm well.
Discovery	Fogelberg
Hydrocarbons.................	Gas Cond.
Drilled	1Q 2010
Gross P50 recoverable ...	52 mmboe
Net P50 recoverable......	6 mmboe



Prospects and leads

The license contains only the Fogelberg gas discovery. No further prospects or leads have been identified in this small license. Fogelberg seems to have one container (one pressure regime) consisting of multiple reservoir zones.

Potential development solutions

Fogelberg is a gas-condensate discovery close to Åsgard and Heidrun fields. Resource estimates indicate commerciality also for low volume cases, and the license has decided to move forward without any appraisal wells. Studies so far shows that the discovery is likely to be developed with three deviated subsea wells tied in to a host platform for processing and export.

Transport solutions

There are several potential processing hosts in the area. The discovery could be brought to production already in 2016, depending upon gas export capacity. Studies are ongoing to firm up both the processing host and a gas export route through either ÅTS or the new NSGI export route to Nyhamna.

Work program

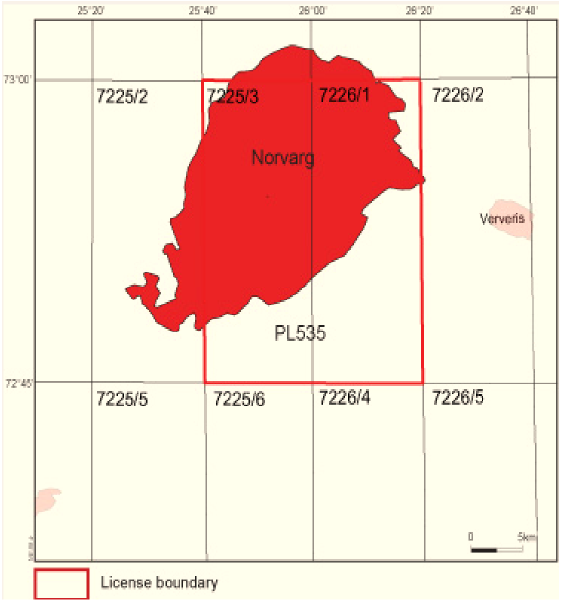
The Fogelberg discovery well was drilled in 2010 and the work program has thus been fulfilled. The milestone BoK (Decision to Concretise /Besluting om Konkretisering) was taken autumn 2011, and the next milestone for development will be BoV (Decision to Continue / Beslutning om Videreføring), which marks the start of detailed PDO-work.

4.7.2 PL 535 Norvarg, North Energy 20 %

The Norvarg prospect was drilled in 2011. This 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 a reservoir which was previously tested and produced gas in another well in the area. Norvarg is situated approximately 275 km NNE of Hammerfest. Discoveries were made in 2008 in Triassic reservoirs in well 7226/2-1 ("Ververis") approximately 20 km East of Norvarg, and in well 7224/6-1 ("Arenaria") approximately 45 km SW of Norvarg.

Figure 4.8.2: PL 535 in the Barents Sea

Awarded	20th round (15th of May 2009)
Expiry date	15th of May 2014
Blocks	7225/3 and 7226/1
Area	611 km^2
Operator	Total Norge AS (40 %)
Partners	North Energy (20 %)
	Det norske oljeselskap ASA (20 %)
	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. Done
Drilling appraisal well	H1 2013
Gross P50 recoverable	260 mmboe
Net P50 recoverable	52 mmboe



Prospects and leads

The Norvarg gas discoveries are located on the gas prone Bjarmeland Platform, between the Ververis and Arenaria discoveries. Further to the south west 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). The Kobbe sands were tested with gas flows up to some 180,000 Sm3/day. This is regarded as very promising and the expectation is that deviated production wells will flow even better. Triassic Snadd Formation and Jurassic Realgrunnen Formations also contained sands with movable accumulations of gas. The Havert Formation also contained gas in a rather thick apparently tight reservoir. A similar well further to the south east was previously tested and produced gas from the same interval. The greater Norvarg structure consist of several fault bounded facies bounded segments and an appraisal well in H1 2013 is therefore presently being considered by the partnership to start appraising/exploring these.

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) has been fulfilled as of Q3 2011.

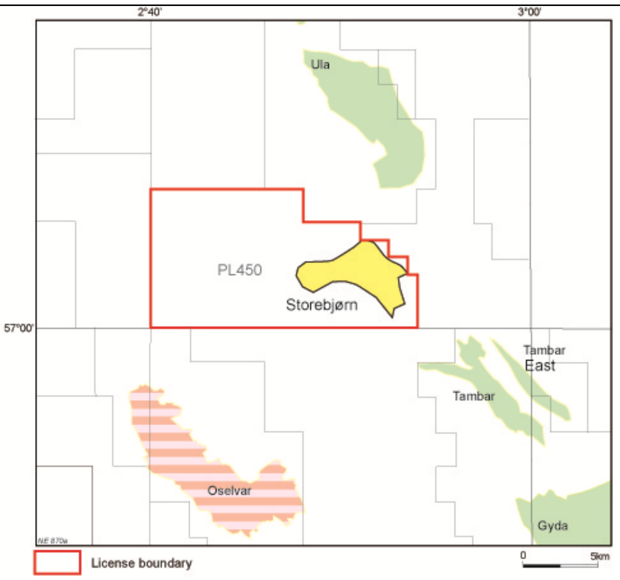
4.8 Exploration licenses with scheduled drilling in 2012

4.8.1 PL 450 Storebjørn, North Energy 15 %

The Storebjørn prospect is located in the North Sea along the eastern flank of the Central Graben in the middle of the Ula-Gyda trend, 8km southwest of the Ula field. The Ula Formation constitutes the reservoir in the Storebjørn Prospect. This sandstone unit also represents the reservoir in a number of oil discoveries and producing oil fields in the Ula-Gyda trend. The prospect is expected to contain oil and is located in an intra-pod (salt withdrawal) setting similar to those of the Tambar Field and Peking Duck discovery.

Figure 4.9.1: PL 450 in the North Sea

Awarded..........................	APA 2007
Initial period expiry date .	1 March 2014 Extended to 2015
Blocks	7/12
Area................................	89.232 km^2
Operator	Det norske oljeselskap ASA (60 %)
Partners	Dana Petroleum Norway AS (25 %) North Energy (15 %)
Work program	Reprocess 3D seismic within 4 years Drill one firm well within February 2012
Main prospect	Storebjørn
Hydrocarbons..................	Oil
Drilling............................	Spudded 29 January 2012 with Maersk Guardian
Prob. of success	49 %
Gross mean unrisked rec..	141 mmboe
Net mean risked rec…..	10 mmboe



Prospects and leads

The main reservoir in the Storebjørn prospect is expected to be Upper Jurassic Gyda Formation sands deposited in an intra-pod setting in association with salt withdrawal. A deeper sand, Ula Formation, represents a secondary reservoir in the prospect. Additional two prospects have been identified: The Fanaråken prospect including these three reservoir units: Tithonian deep marine Eldfisk Formation, Kimmeridgian salt collapse Ula Formation and Oxfordian Basal sand, and the Falketind Triassic pod prospect. The neighbouring Peking Duck has recently been drilled and categorized as a discovery having a similar play concept as Fanaråken and Storebjørn.

Potential development solutions

The Storebjørn prospect is assumed to contain oil. Fast track PDO is possible in case of a discovery. The oil production is likely to be a sub-sea development tied back to the Ula field, with processing at Ula and with oil export trough pipeline via Ekofisk to Teeside. Water injection will increase oil recovery, and associated gas can be injected at Ula or Storebjørn.

Work program

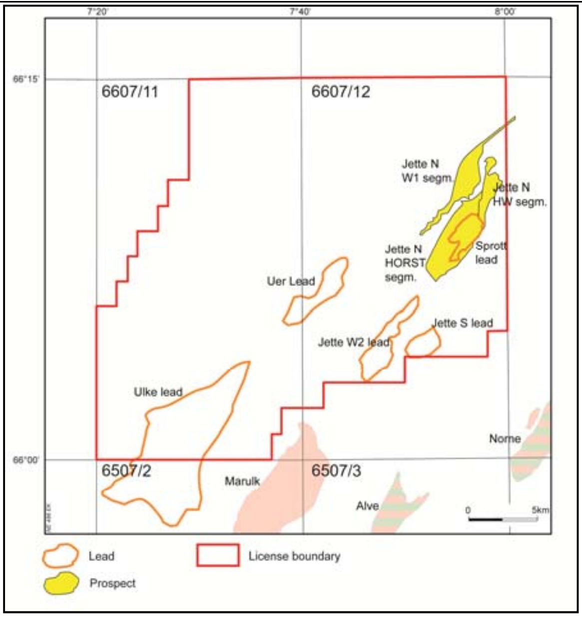
A re-evaluation of the prospects in the license based on reprocessed 3D seismic has been done by the operator. A decision to drill was taken by the partnership and the well spudded 29 January 2012. The drilling of Storebjørn requires HPHT operations.

4.8.2 PL 385 Jette, North Energy 35 %

The Jette prospect is located adjacent to the major gas and oil discoveries Marulk, Alve and Norne. The prospect is an extension of the Alve structural high to the north. The prospect is positioned in the charge fairway for hydrocarbon migrating up along the flank of the Rødøy High is just as ideally situated to receive hydrocarbons as the adjacent discoveries are. PL 385 was purchased from Statoil in 2009, with additional farm in during 2011 from Wintershall.

Figure 4.9.2: PL 385 in the Norwegian Sea

Acquired	2009
Expiry date.....................	6 January 2013
Blocks	6607/11 and 12
Area...............................	653 km^2
Operator	Statoil AS (45 %)
Partners	North Energy (35 %) Norwegian Energy Company ASA (20 %)
Work program................	Drill one firm well
Main prospect	Jette
Hydrocarbons................	Gas Cond.
Expected drilling............	2012
Prob. of success.............	40 %
Gross mean unrisked rec	95 mmboe
Net mean risked rec	12 mmboe



Prospects and leads

PL 385 contains the Jette prospect and several leads, located in a well-established petroleum province. The prospect contains multiple targets. A new update is recently done based on new seismic data.

Potential development solutions

The Jette prospect is characterized by high pressures and temperatures (HPHT). A cost effective development solution would involve subsea well tie-back to the Norne FPSO.

Work program

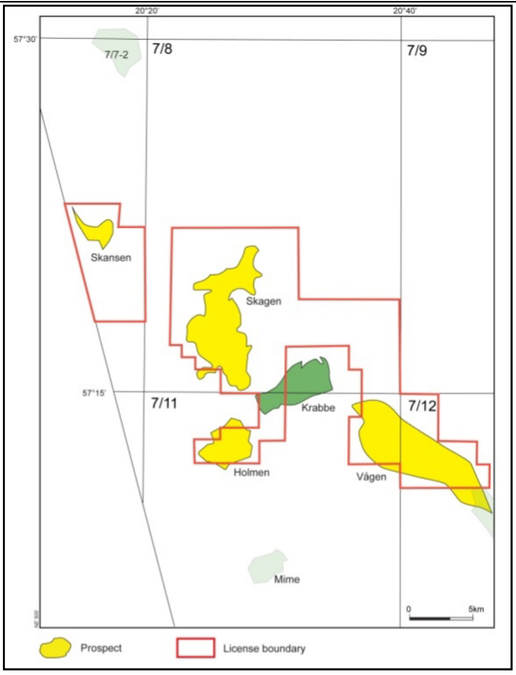
The Jette prospect is scheduled to be drilled in 2012.

4.8.3 PL 498 Skagen, North Energy 25 %

The Skagen prospect is located north of the Krabbe discovery and close to the Ula Field, which provide suitable infrastructure for a tie-back development and early production. The prospect shows similar seismic amplitudes to nearby chalk discoveries increasing the probability of success. PL 498 includes the northernmost extension of the Krabbe discovery.

Figure 4.9.3: PL 498 in the North Sea

Awarded	APA 2008
Expiry date	23 January 2015
Blocks	7/7, 7/8, 7/11, 7/12
Area	278 km^2
Operator	Lotos E&P Norge AS (25 %)
Partners	Skagen 44 AS (25 %)
	Edison International (25 %)
	North Energy (25 %)
Work program	Geological & geophysical studies
	DoD license. Decision to drill Skagen prospect was taken in 2011
Main prospect	Skagen
Hydrocarbons	Oil
Expected drilling	Q4 2012
Prob. of success	36 %
Gross mean unrisked rec	75 mmboe
Net mean risked rec	7 mmboe



Prospects and leads

The license contains the Skagen Upper Cretaceous Chalk prospect as well as several Upper Jurassic sandstone prospects. The Krabbe discovery seems to extend into the license.

Potential development solutions

The Skagen prospect is assumed to be developed with an unmanned wellhead platform as a tie-back to the Ula platform. The wells will be drilled by a jack-up platform. The complete well stream will be exported through a pipeline to the Ula facilities for treatment and export. Assuming first exploration well is completed by the end of 2011; first oil is expected end 2014. Ula is expected to have sufficient capacity to meet the Skagen export requirements.

Given discovery, the Vågen and Holmen prospects can be developed by adding unmanned wellhead platforms tied in to the Skagen export pipeline.

Work program

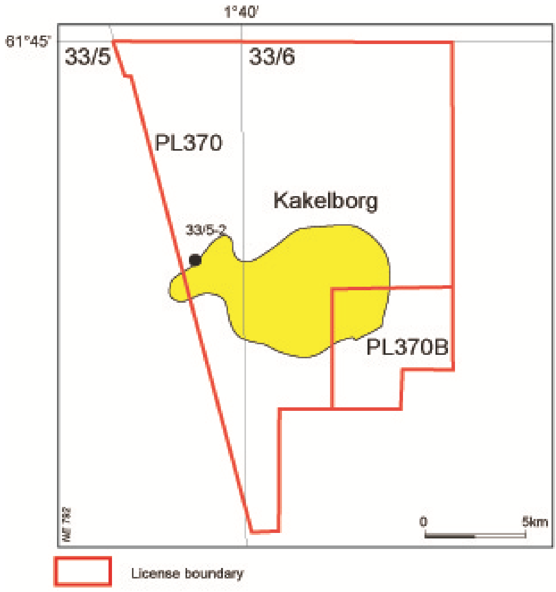
The well is scheduled to be drilled in Q4 2012.

4.8.4 PL 370 Kakelborg, North Energy 10 %

The prospect is located west of the Statfjord and Snorre fields.

Figure 4.9.3 PL 370 in the Northern North Sea

Awarded	APA 2005
Expiry date	6 January 2013
Blocks	33/5 and 6
Area................................	216,4 km^2
Operator	Wintershall Norge ASA (40 %)
Partners	Agora Oil &Gas AS (30 %)
	Concedo ASA (20 %)
	North Energy ASA (10 %)
Work program	
Main prospect	Kakelborg
Hydrocarbons	Oil
Expected drilling	Planned Spud April 2012
Prob. of success	30 %
Gross mean unrisked rec ..	153 mmboe
Net mean risked rec.........	5 mmboe



Prospects and leads

Kakelborg is a Paleocene stratigraphic trap expected to contain oil in sandstones deposited as submarine fan complex. Additional lead exists in the Jurassic.

Potential development solution

Two likely development concepts are; a) standalone FPSO development for large oil case and b) subsea development with tie-back to Snorre for low oil case.

Work program

One exploration well in 2012 was decided in this DoD license. The well is scheduled for drilling April 2012 with the semi-submersible rig Borgland Dolphin.

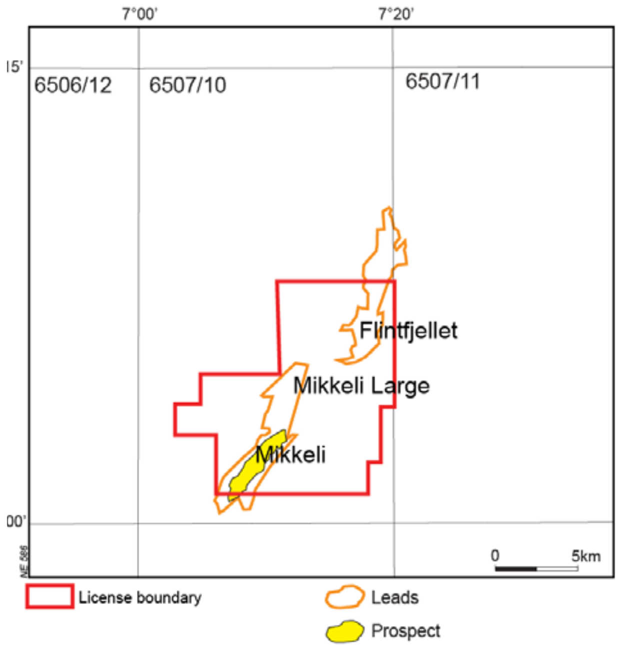
Drill or Drop Licenses in 2012-13:

4.8.5 PL 590 Mikkeli, North Energy 40 %

The Jurassic Mikkeli prospect and the Lower Cretaceous Flintfjellet lead are located in block 6507/10 in the Grinda Graben on the Halten Terrace in the Norwegian Sea, just east of Smørbukk Sør field. The prospect is considered to be in the low risk/medium reward category. PL590 is a drill or drop license.

PL 590 in the Norwegian Sea

Awarded	APA2010 (4th of February 2011)
Expiry date	4 February 2016
Blocks	6507/10
Area	120.96 km^2
Operator	North Energy (40 %)
Partners	Faroe Petroleum (30 %) Wintershall Norge ASA (30 %)
Work program	Reprocess 3D seismic Drill-or-drop or acquire more seismic within 1.5 years
Prospect	Mikkeli
Hydrocarbons	Oil with minor gas cap
Expected drilling….	2013 (pending rig availability)
Prob. of success	56 %
Gross mean unrisked rec	54 mmboe
Net mean risked rec	12 mmboe



Prospects and leads
The Mikkeli prospect has middle Jurassic prospectivity, and may be larger than the base case model if the faults around the Grinda Graben are sealing (Mikkeli Large). Additional prospectivity may be found in the Lower Cretaceous; the Flintfjellet Lead. Additional Upper Jurassic and additional Cretaceous prospectivity has also been suggested by the partners.

Potential development solutions
A subsea tie-in to Mikkeli is the most likely development solution. A tie-in to Åsgard A is also a possible alternative.

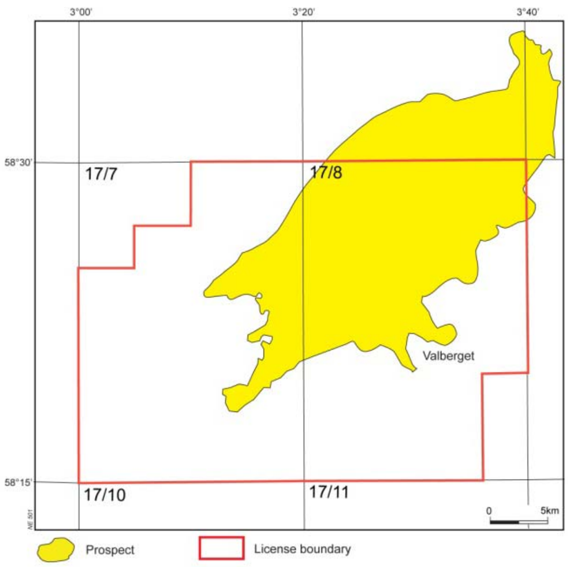
Work program
The 'Alternative 1' work program was agreed by the partners: Reprocessing of 3D seismic across the license within 1,5 years before a Drill or Drop decision in August 2012 with drilling in 2013 (given rig availability). Instead of deciding on a drill or drop, the license has an option to decide (August 2012) to acquire more seismic and to make a Drill or Drop decision by February 2014. The partners have already reprocessed a substantial part of the 3D seismic over the main prospect, and their reprocessed seismic shows good improvement. 3D Reprocessing is the license is ongoing. The current expectation is to continue with 'Alternative 1' and decide on DoD by August 2012.

4.8.6 PL 503 Valberget, North Energy 25 %

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, will test an analogue prospect. The well in PL360 is expected to be drilled prior to the drill or drop decision in PL 503.

Figure 4.9.4: PL 503 in the North Sea

Awarded...........................	APA 2008
Expiry date	23 January 2017
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 (25 %)
Work program	Acquire 3D seismic
	Decide drill or drop by 23rd January 2013
Main prospect	Valberget
Hydrocarbons..................	Oil
Expected drilling.............	Possible drilling 2013
Prob. of success	Lead
Gross mean unrisked rec..	806 mmboe
	(Range: 60-1956 mmboe)
Net mean risked rec……..	n/a



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 reprocessing is expected to be finalized in February 2012. A re-evaluation of the prospectivity of the acreage will be made on the new 3D seismic to enable the license to decide on drill or drop by the end of October 2012.

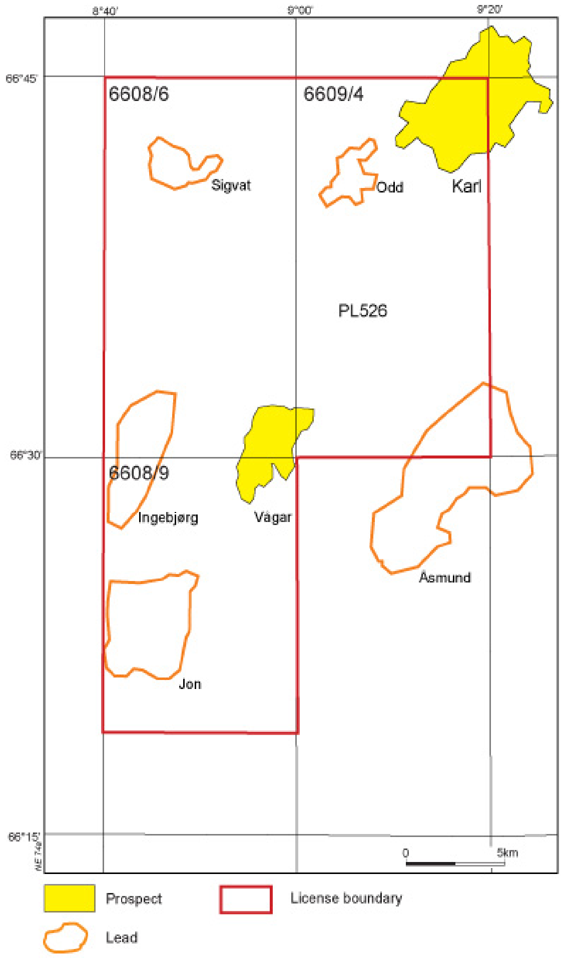
4.8.7 PL 526 Karl, North Energy 40 %

PL526 is located in a terrace area west of the Nordland Ridge. This is on a northern trend with the Norne Field and a number of its satellites.

Figure 4.9.5: PL 526 in the Norwegian Sea

Awarded	20th round (May 15th 2009)
Expiry date	15 May 2014
Blocks	6608/6, 9 and 6609/4
Area	1 128 km^2
Operator	North Energy (40 %)
Partners	Norwegian Energy Company ASA (20 %) Dana Petroleum Norway AS (20 %) E.ON Ruhrgas Norge AS (20 %)
Work program	Reprocess all 3D seismic Drill-or-drop within 2 years
Main prospect	**Karl**
Hydrocarbons	Oil with a gas cap
Expected drilling	2012
Prob. of success	9 %
Gross mean unrisked rec	273 mmboe *
Net mean risked rec	10 mmboe

* By applying a different reservoir horizon to the prospect, estimates go up to 470 mmboe



Prospects and leads

The discarded Vågar prospect is an undrilled horst block on the western flank of the Nordland Ridge, on trend with and north of the Norne field. Additional leads exist at both expected Permian and Tertiary levels. As the Vågard prospect was discarded as a drillable prospect, focus turned to the Karl lead which was upgraded to prospect but still with a relatively high risk (9 %). It was decided to do sole risk EM surveying over Karl to try to reduce risk further before deciding whether to Drill or Drop. Karl is currently is being evaluated following the EM-survey.

Potential development solutions

A subsea tie-in to Norne is the most likely development solution for Karl as an oil discovery. Norne has at the moment sufficient spare process capacity for start-up of Karl production in 2018. The development will initially address the oil leg, with a later blow down of the gas cap. Associated gas can either be reinjected or sold to the Norne partnership for export via Gassled. Use of subsea processing will allow for subsea separation and direct water reinjection, optimising export flow to Norne.

There is a considerable resource potential in leads in the area, making Karl a potential candidate for a new hub in the area and stand-alone development.

Work program

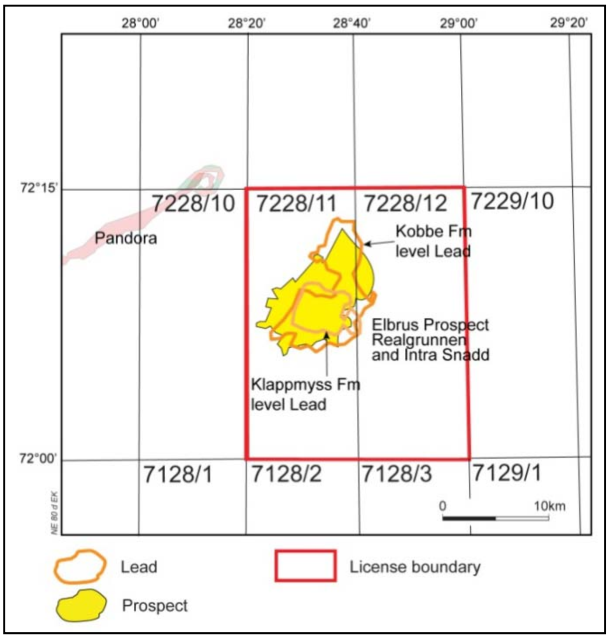
Drill or Drop decision is still pending in the license, but the technical work commitment has been fulfilled (3D reprocessing and evaluation). Based on the re-evaluation of the reprocessed 3D a better understanding of the prospectivity in the license has been achieved, discarding the Vågard prospect. Efforts on the Karl prospect was then undertaken to reduce risk further. A new EM survey was hence collected and recommendations are soon to materialize with regards to a drill or drop decision. Formal deadline for the one year extended Drill or Drop is 15 May 2012.

4.8.8 PL 536 Elbrus, North Energy 20 %

The Elbrus multiple target Prospect is situated on Finnmark Platform along the south-eastern margin of the Nordkapp Basin - approximately 220 km NE of Hammerfest and immediately ESE of the well 7228/7-1 oil and gas discovery ("Pandora") drilled in 2001. The prospect is expected to contain gas as the dominant phase.

Figure 4.9.6: PL 536 in the Barents Sea

Awarded...........................	20th round (April 2009) APA
Expiry date	30 April 2015
Blocks	7228/11 and 12
Area.................................	637 km^2
Operator	Statoil Petroleum AS (40 %)
Partners	North Energy (20 %)
	Discover Petroleum AS (20 %)
	Petoro AS/SDFI (20 %)
Work program	Acquire a minimum of 600 km^2 3D seismic
	Drill-or-drop within 3 years
Main prospect	Elbrus
Hydrocarbons...................	Gas
Expected drilling.............	Not yet planned, post Q2 2014
Prob. of success	20 %
Gross mean unrisked rec..	289 mmboe
Net mean risked rec	12 mmboe



Prospects and leads

The Elbrus prospect contains multiple Jurassic to Triassic reservoirs in a faulted 4-way dip closure. The prospect is currently being re-evaluated by the operator based on the new 3D seismic survey.

Potential development solutions

The Elbrus prospect development plan assumes a standard tie-in to other prospects in the area, with the Ververis discovery and the PL 535 Norvarg prospect as the main candidates. Earliest production start-up is estimated to be around 2020-2022. If successfully discovered and appraised, the development of the gas is likely to be seen in connection with the Norvarg discovery in near-by PL 535. Gas volumes will contribute positively to the volume base for a potential new gas export line from the Barents Sea or be phased in at a second processing train at Melkøya. A Floating LNG production facility (FLNG) is another possible alternative, as is CNG (compressed natural gas).

Work program

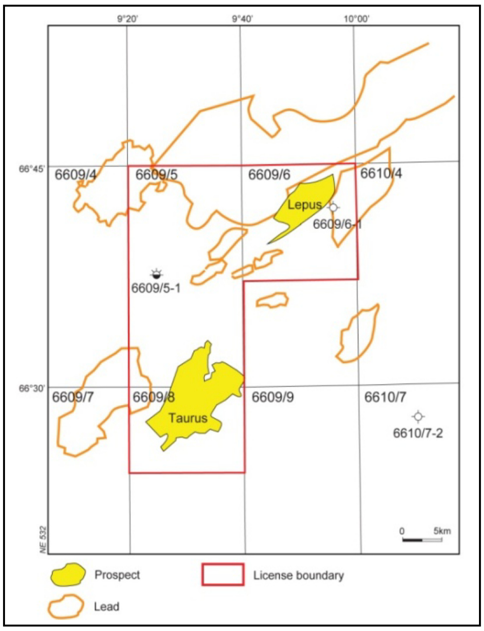
The new 3D seismic was processed in 2011 with a 5 months delay. Evaluation is still ongoing and a drill or drop decision due in Q1 2012 may be extended. A 6 months extension has been applied for by the partnership due to the late delivery of the final 3D cubes.

4.8.9 PL 562 North Energy 10 %

PL 562 and is located on the Nordland Ridge, east of and adjacent to the North Energy operated license PL 526. The license contains two prospects (Lepus and Taurus) and several leads. The area has previously been relinquished and two exploration wells have been drilled by other partnerships (6609/5-1 and 6609/6-1).

Figure 4.9.7: PL 562 in the Norwegian Sea

Acquired	APA2009 (2010)
Expiry date	19 February 2017
Blocks	6609/5, 6 and 8
Area.................................	796.472 km²
Operator	Dana Petroleum Norway (30 %)
Partners	North Energy (|10 %) E.ON Ruhrgas Norge AS (20 %) Norwegian Energy Company (20 %) Petoro AS/SDFI (20 %)
Work program	Acquire 3D seismic and G&G studies. Drill-or-drop within 3 years
Main prospect	Lepus
Hydrocarbons...................	Oil and gas cap
Expected drilling.............	DoD 19th of February 2013
Prob. of success	18 %
Gross mean unrisked rec..	107 mmboe
Net mean risked rec	2 mmboe



Prospects and leads

If drilled, the Lepus prospect could potentially turn into a Triassic 'play opener' in this region. The license also includes the Taurus prospect and a number of leads.

Potential development solutions

A subsea tie-back to Norne is at the moment the most likely development solution for Lepus. Norne has recently undergone upgrades to extend the lifetime of the facility, and several new discoveries are utilising the process capacity and gas export connection to Åsgard Transport System offered by Norne. The Lepus development will initially address the oil leg, with a later blow down of the gas cap. Associated gas can be reinjected or exported via the Åsgard Transport System. Use of subsea processing will allow for subsea separation and direct water reinjection, optimising export flow to Norne.

Work program

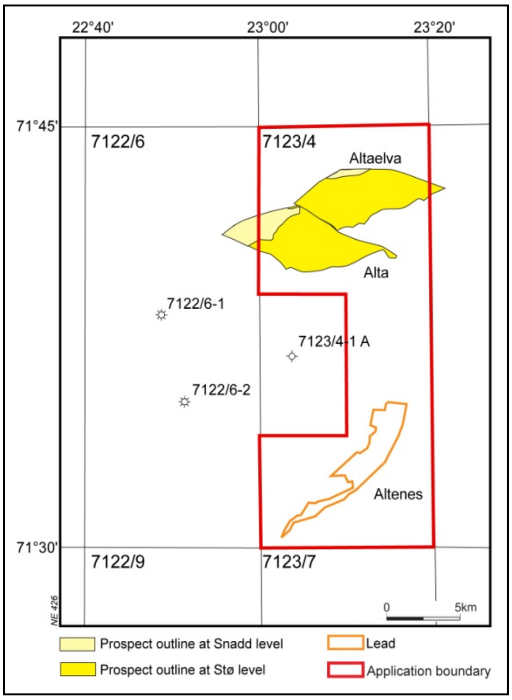
3D seismic has been acquired and processed and evaluation is ongoing. A drill or drop decision is due by February 2013. If it is decided to drill an exploration well, this will probably take place late 2013 or 2014, depending on rig availability.

4.8.10 PL 564, North Energy 20 %

The Jurassic Kvitungen Prospect (op) or Alta Prospect (North Energy) is located in the prolific Hammerfest Basin 10 km northeast of the Tornerose discovery.

Figure 4.7.10.1: PL 564 in the Barents Sea

Acquired	APA2009 (2010)
Expiry date	19 February 2016
Blocks	7123/4
Area	272.721 km²
Operator	OMV (Norge) AS (50 %)
Partners	North Energy (20 %)
	Wintershall Norge ASA (30 %)
Work program	Acquire 3D seismic and perform G&G studies. Decide drill or drop within 2 years.
Main prospect	Kvitungen (op) =Alta (North Energy)
Hydrocarbons	Oil with gas cap
Expected drilling	Not planned
Prob. of success	24 %
Gross mean unrisked rec	155 mmboe
Net mean risked rec	8 mmboe



Prospects and leads

The license contains two oil prospects (rotated Jurassic fault blocks) and one lead. The main prospect is the Alta prospect (North Energy naming) also called the Kvitungen prospect by the operator. The Altenes prospect is a fault dependent hanging wall prospect with higher seal risk but with larger volumes. Both prospects are being evaluated by the operator.

Potential development solutions

A commercial Alta discovery would be developed as a subsea tie-back to the Goliat Field some 50km to the SW. The Goliat Field has a design life of 15 years (2013-2028) and is designed for tie-in of additional resources.

Work program

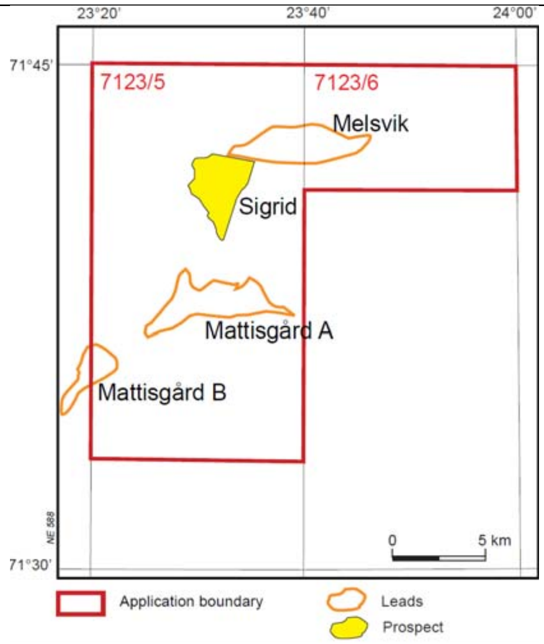
New 3D seismic has been processed and prospect evaluation is ongoing. Drill or drop decision is originally scheduled to be made in Q1 2012, but a one year extension application has been submitted.

4.8.11 PL 594, North Energy 20 %

The Sigrid Structure in block 7123/5 is located approximately 26 km to the east of the Tornerose Discovery (7122/6-1), at the NE corner of the Hammerfest Basin. The license sits between the PL530 and PL564, which both are North energy partner licenses. The Sigrid Prospect has a favourable position relative to the Hekkingen source kitchen and an oil charge is expected.

PL 594 in the Barents Sea

Awarded..........................	APA 2010
Initial period expiry date .	4 February 2018
Blocks	7123/5
Area.................................	196 km^2
Operator	Statoil Petroleum AS (40 %)
Partners	OMV (Norge) AS (20 %)
	Wintershall (20 %)
	North Energy (20 %)
Work program	Purchase 3D seismic
	DOD decision within 2 years
Main prospect	Sigrid
Hydrocarbons..................	Oil with associated gas
Expected drilling.............	Possible drilling 2014
Prob. of success	32 %
Gross mean unrisked rec ..	105 mmboe
Net mean risked rec……..	7 mmboe



Prospects and leads

The Sigrid prospect is a 'trap door'-shaped rotated fault block with a fault-bounded 2-way structural dip. The prospective intervals represent reservoirs of the Jurassic Realgrunnen Subgroup (Tubåen and Fruholmen Formations), as well as reservoir sandstones occurring within the upper Snadd Formation of Triassic age. Charge analysis predicts oil accumulation in Realgrunnen Subgroup (Tubåen & Fruholmen Formations) and in Snadd Formation sourced from the Hekkingen Formation. Three leads are also identified. The Melsvik lead is a hanging wall fault dependent rotated fault block with similar reservoir configuration as Sigrid. The Mattisgård A & B leads are stratigraphic leads defined by reservoir pinch-outs in the Knurr Formation.

Potential development solutions

The production from the Sigrid prospects is expected to be oil with associated gas. The most likely development solution is a subsea development and tie-back to the Goliat platform.

Work program

Purchase of new 3D seismic already processed in neighbouring license PL 564, and evaluation of the same in PL 594. Decision to drill or drop will be taken in February 2013. Within 4 years from award; drill exploration well, do feasibility studies and decide to Concretize (BoK) or drop. Within 6 years from award; perform conceptual studies and decide on Continuation (BoV) or drop. Within 7 years from award, prepare development plan and decide to submit PDO or drop.

4.9 Additional information for mineral companies

4.9.1 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 proved 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 to have sealing quality on both top seal, lateral seal, base seal and fault seal relative to timing of migration, and to preserve 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.

4.10 Research and development, patents and licences

The Company holds no patents or licences 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.

4.11 Trend information

Other than the disposal of PL 433 Fogelberg as described in section 4.7.1, the Company has not experienced any trends that are significant to North Energy between 31 December 2011 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 2012.

5 MARKET OVERVIEW

5.1 Overview of the global oil and energy market

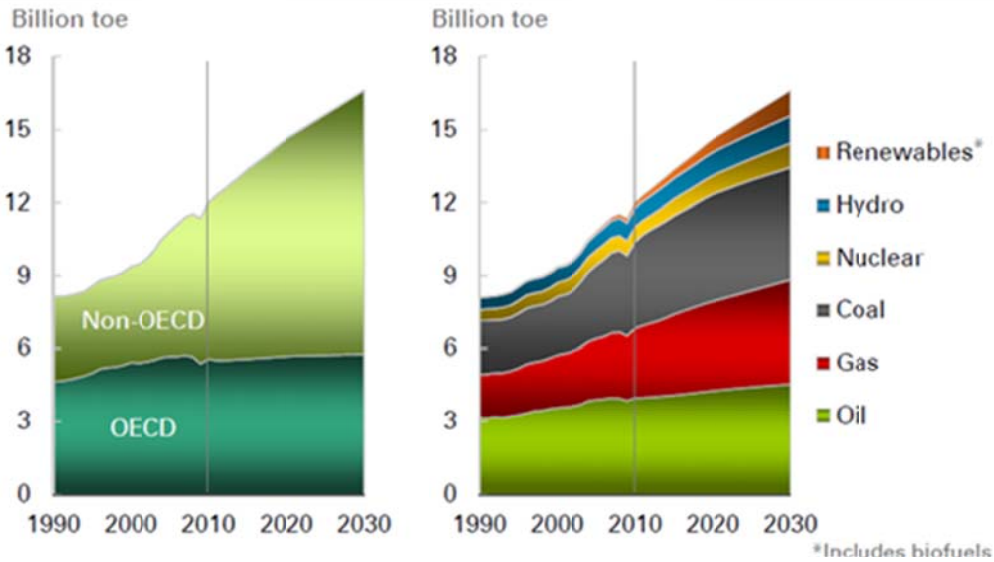
5.1.1 Energy overview

Major events in 2011 have had an impact on short- and medium-term energy trends, but have done little to quench the world's increasing thirst for energy in the long term.

The dynamics of energy markets are determined more and more by the emerging economies. Over the next 25 years, IEA expects that 90 % of the projected growth in global energy demand comes from non-OECD economies; China alone to account for more than 30 %, consolidating its position as the world's largest energy consumer. In 2035, China consumes nearly 70 % more energy than the United States, the second-largest consumer, even though, by then, per-capita energy consumption in China is still less than half the level in the United States. Emerging economies also dominate the expansion of supply: the world will rely increasingly on OPEC oil production as it grows to reach more than half of the global total in 2035. Non-OECD countries account for more than 70 % of global gas production in 2035, focused in the largest existing gas producers, including Russia, the Caspian and Qatar.

World primary energy consumption is projected by BP to grow by 1.6 % p.a. over the period 2010 to 2030, adding 39 % to global consumption by 2030. The growth rate declines, from 2.5 % p.a. over the past decade, to 2.0 % p.a. over the next decade, and 1.3 % p.a. from 2020 to 2030. Almost all (96 %) of the growth is in non-OECD countries. By 2030 non-OECD energy consumption is 69 % above the 2010 level, with growth averaging 2.7 % p.a. (or 1.6 % p.a. per capita), and it accounts for 65 % of world consumption (compared to 54% in 2010). OECD energy consumption in 2030 is just 4 % higher than in 2010, with growth averaging 0.2 % p.a. to 2030. OECD energy consumption per capita is on a declining trend (-0.2 % p.a. 2010-30). The fuel mix changes slowly, due to long gestation periods and asset lifetimes. Gas and non-fossil fuels gain share at the expense of coal and oil. The fastest growing fuels are renewables (including biofuels) which are expected to grow at 8.2 % p.a. 2010-30; among fossil fuels, gas grows the fastest (2.1 % p.a.), oil the slowest (0.7 % p.a.).

Figure: World primary energy demand (Mtoe)



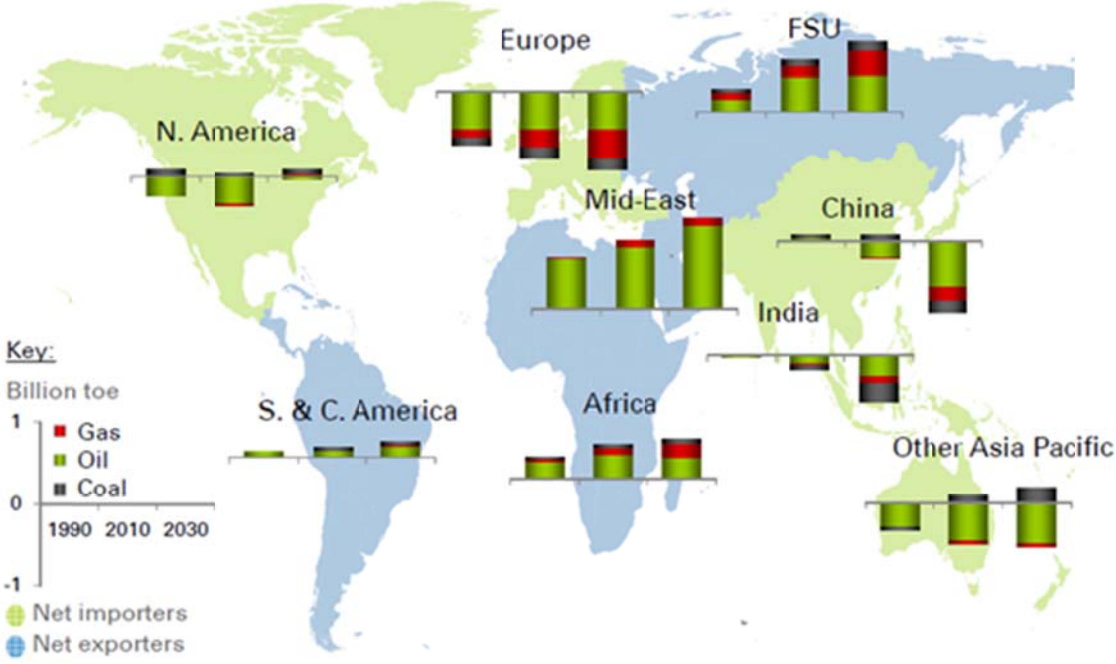
Source: BP, Energy Outlook 2030, January 2012 (http://www.bp.com/sectiongenericarticle800.do?categoryId=9037134&contentId=7068677)

5.1.2 Oil and natural gas demand

Fossil fuels remain the dominant sources of primary energy worldwide in BP's Energy Outlook, accounting for 80 % of the overall energy consumption in 2030, a decrease from approximately 87 % in 2010. In absolute terms, natural gas is expected to see the biggest increase in demand over the projection period, followed by coal and oil.

BP expects oil, natural gas and coal to account for 26-28 % each in the primary fuel mix in 2030. Oil demand (excluding biofuels) is projected to grow by 15 % over the projection period, while natural gas will grow by 50 % over the period. The main driver for growth in oil demand is the development in China and India. For OECD countries demand is expected to fall.

Figure: Energy imbalances by region



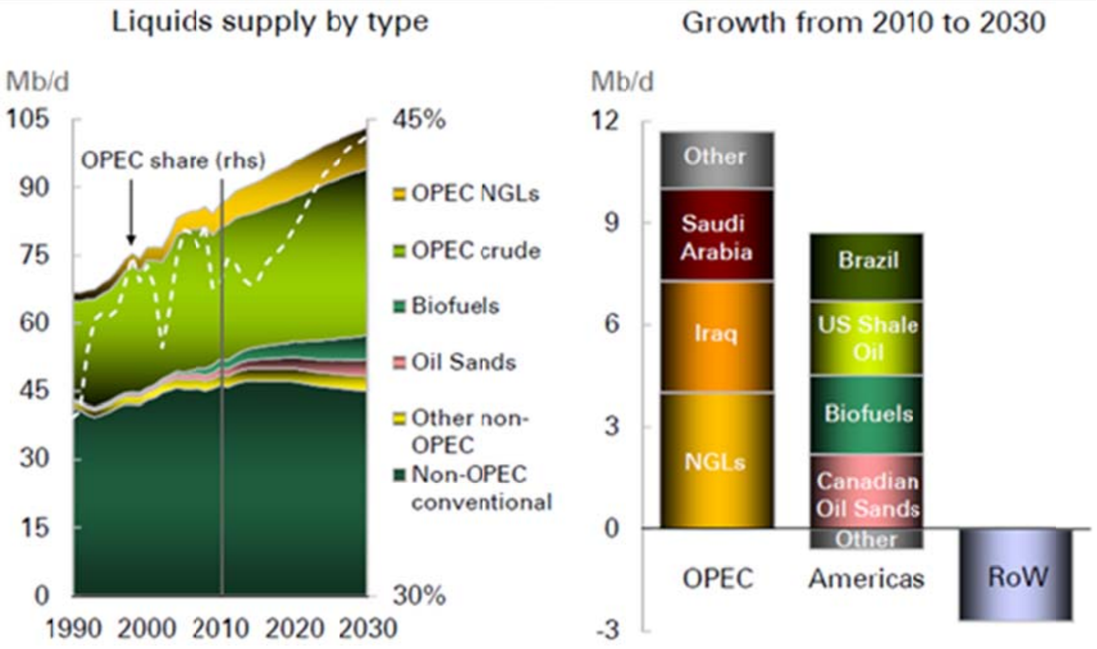
Source: BP, Energy Outlook 2030, January 2012 (http://www.bp.com/sectiongenericarticle800.do?categoryId=9037134&contentId=7068677)

5.1.3 Oil and natural gas supply

The non-OPEC countries are struggling to meet increased energy demand, and OPEC will account for the major part of increased energy supply along with unconventional sources such as oil sands and shale gas.

DNB Markets estimates the call on OPEC to be 3.8 mmboe per day from 2010-2015 in order to meet the increased demand from non-OECD countries, assuming non-OPEC countries are unable to boost production in the period.

Figure: Oil production and supply by OPEC/non-OPEC (mb/d)



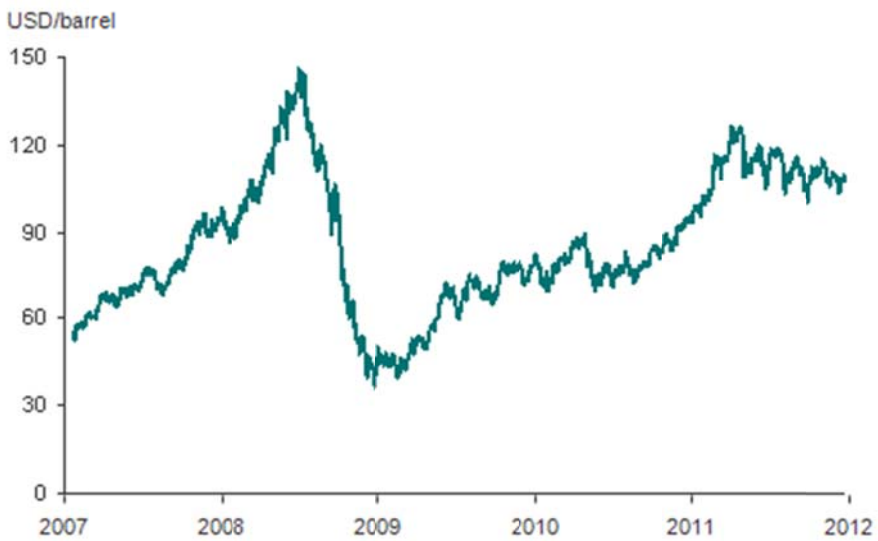
Source: BP, Energy Outlook 2030, January 2012 (http://www.bp.com/sectiongenericarticle800.do?categoryId=9037134&contentId=7068677)

5.1.4 The oil price

As of 1 January 2012 the oil price was USD 107 per barrel (Brent Crude futures front month), approximately 25 % above the average price of USD 85 per barrel over the last five years. All-time high came back in July 2008 with a price of USD 140 per barrel. Strong demand for energy combined with limited supply, OPEC's successful oil market strategy plus supply disruption in key regions like Russia, the Middle East and West Africa, and the risk of gas crisis in North America were the main reasons behind the record-high prices in 2008. Current key drivers in the market are the situation in Iran, resumed production and export from Libya, as well as reduced demand from OECD area and increased demand from the non-OECD area.

The figure below illustrates crude oil prices last five years.

Figure: Development in oil price since January 2007 (Brent Crude futures front month)



Source: Factset as of 20 January 2012 (http://www.bp.com/sectiongenericarticle800.do?categoryId=9037134&contentId=7068677)

The oil price is affected by a number of factors, including changes in supply and demand, OPEC regulations, weather conditions, regulations from domestic and foreign authorities, political and economic conditions and the price of substitutes.

It should be noted that the oil market is dynamic and that the demand for oil to some extent is inversely linked to the price. Longer periods of high oil prices can therefore lead to increased use of alternative energy sources at the cost of oil demand.

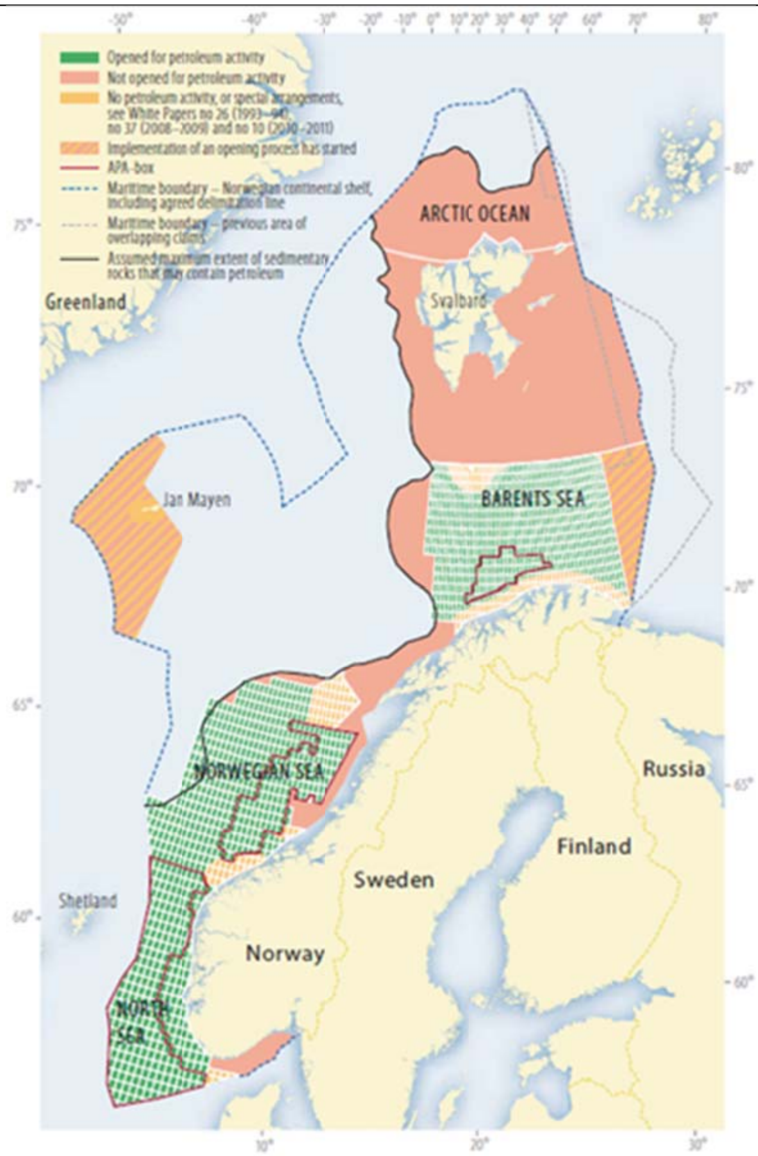
Twice a year, or more frequently if required, the Oil and Energy Ministers of the OPEC countries meet to decide on the organisation's output level and consider whether any action to adjust output is necessary in the light of recent and anticipated oil market developments.

5.2 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.

In 2010, Norway was ranked as the world's seventh largest oil exporter and the second largest gas exporter in 2009.

Figure: The Norwegian Continental shelf

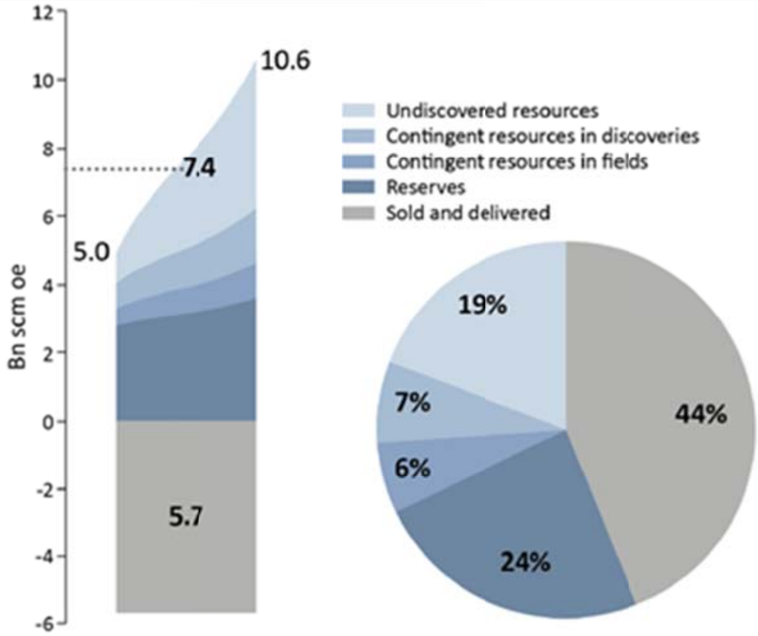


Source: Norwegian Petroleum Directorate, Facts 2011

5.2.1 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 2011, NPD estimates in its annual resource accounts, that the total recoverable resources on the NCS are approximately 82.4 bboe. Out of this, approximately 35.9 bboe is produced.

Figure: Distribution of petroleum resources by maturity as of 31 December 2011



Source: Norwegian Petroleum Directorate, "The shelf in 2011"

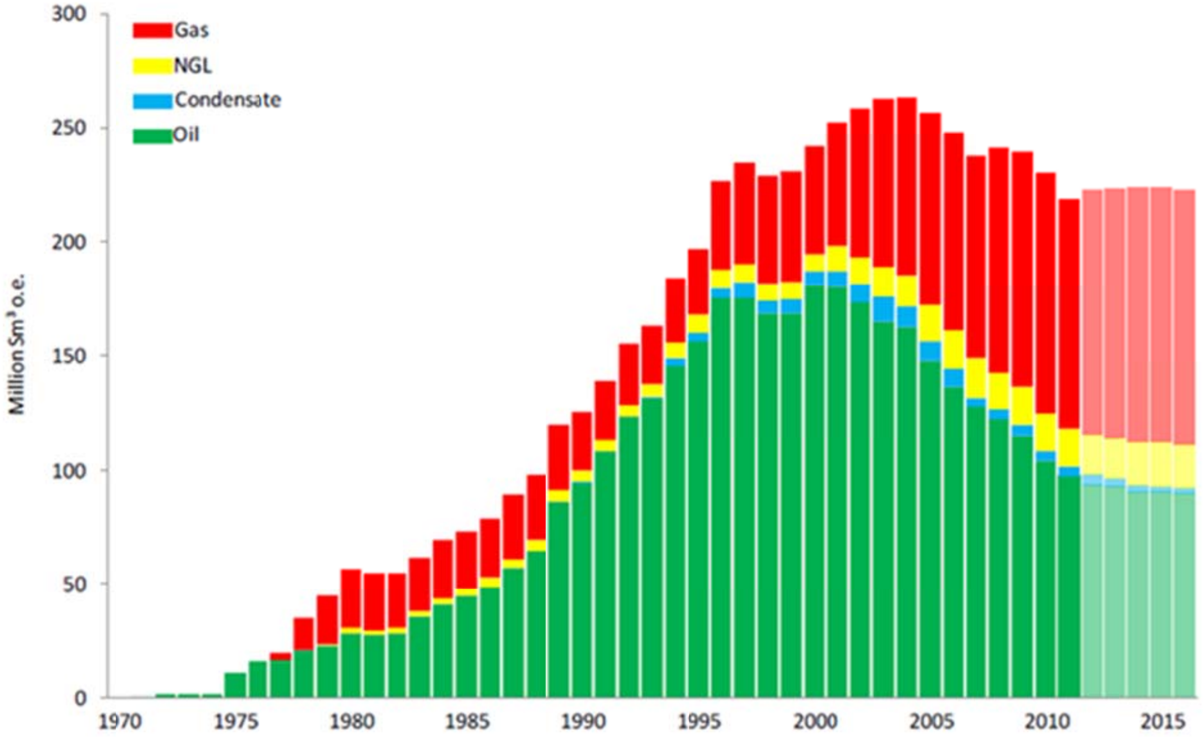
The oil production from existing fields on the NCS has peaked and is declining. Oil production in 2011 was 97.3 million Sm³ (1.7 million bbls per day), compared with 104.4 million Sm³ (1.8 million bbls per day) in the previous year. 62 fields contributed to the total oil production in 2011, in addition to test production from one discovery.

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 2011, 101.3 billion Sm³ gas was sold, (100.6 billion Sm³ 40 MJ gas). This represents a reduction of five billion Sm3 compared with 2010 (five per cent). The NPD's assessment is that this decline is largely market-driven, and expects gas sales to rise in the next few years.

Forecasts for production of condensate and NGL for 2012 are 4.3 million Sm³ and 9.2 million tonnes, respectively. NPD's total liquid production estimate is 115.6 million Sm³ o.e. (1.99 million bbls o.e. per day).

Figure: Production development (1 Sm3 = 6.29 barrels)

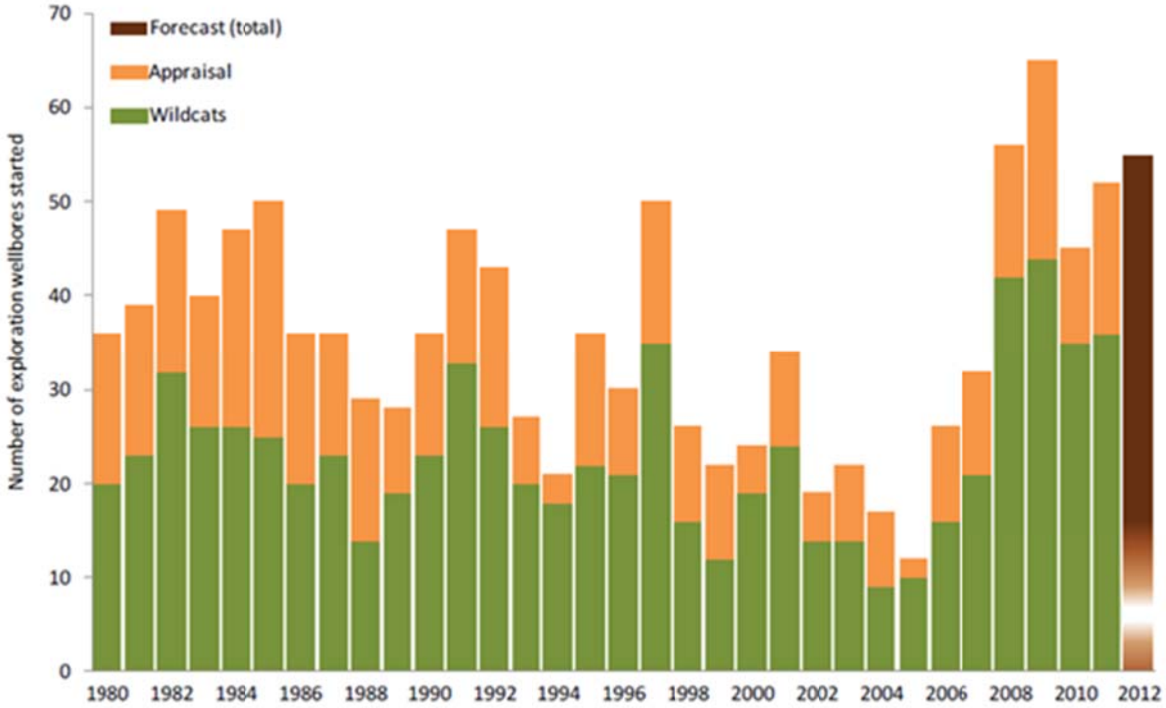


Source: Norwegian Petroleum Directorate, Facts 2011

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 2011 36 wildcat and 16 appraisal wells were commenced. NPD forecasts 55 exploration wells in 2012.

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

Figure: Exploration and appraisal wells 1966-2010



Source: Norwegian Petroleum Directorate, Facts 2011

5.2.2 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.

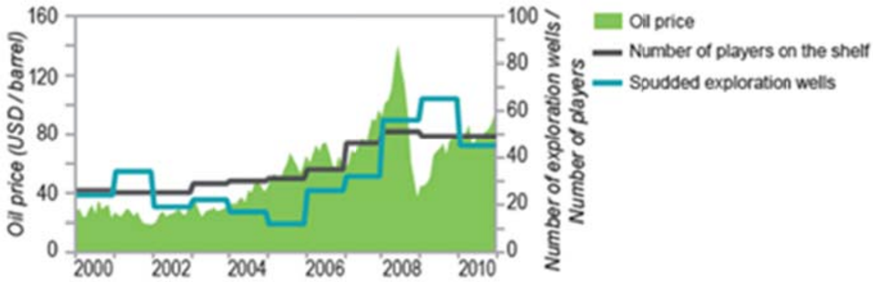
Increased acreage

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 2011 comprised a total of 186,300 square kilometres. APA 2011 was announced on March 11th 2011. At the deadline of September 14th 2011, the area available for applications consisted of 108,433 square kilometres out of this total. This was an increase of 23,500 square kilometres from the previous year. The increase is due both to areas relinquished during the course of the year and an expansion of the area covered by the APA scheme. In the APA 2011 the government awarded 60 licenses, while the numbers were 50, 38, 34, 52, 58 and 45 in 2010, 2009, 2008, 2007, 2006 and 2005, respectively.

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 2011

The table 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 55, of which 38 are prequalified as operators.

Figure: Pre-qualifications since 2000

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Licensees	Dong** DNO** GdF** Pelican*	Paladin***	Petoro CER* Norske AEDC	E.ON Ruhrgas** Revus**	Sumitomo Oranje Nassau Endeavour**	Altinex Premier** Marubeni	Mitsubishi Discover** PA Resources Ener* Faroe Petroleum** Edison** Serica* Rocksource** Noreco** VNG Bridge Energy* Aker Exploration**	Genesis Petroleum Concedo Bayern Gas Norge** Flying High Skagen 44 PGNiG**	Skeie Energy Spring Energy** 4 Sea Energy North Energy**		Agora	Fortes Core Energy
Operators	Aker Maritime* Enterprise* Chevron Amerada Hess	Kerr McGee Lasmo* Marathon	DNO Pertra PGS* Dong	Paladin* Maersk Talisman Anadarko BG Norge GdF	Lundin Wintershall Noble Centrica DNO	Idemitsu Endeavour* Revus Pertra	OMV Hunt Oil Nexen Petro-Canada Noreco	Premier E.ON Ruhrgas Petrofac Aker Exploration* Sagex Discover Rocksource	Dana Petroleum Perenco Repsol Grupa LOTOS	North Energy Edison Spring Energy Bayern Gas Bridge Energy	Faroe Petroleum PGNiG	Lukoil

*Does not exist as an individual company any more
**Has been prequalified as operator

Source: Norwegian Petroleum Directorate, as of 15 November 2011

Currently 7 applications are under consideration by the MPE. The applicants are Skagen 44 (operator), Skeie Energy (operator), Stratum, Petrolia Norway, KazMunayGas, Tullow Oil (operator) and Emergy Exploration.

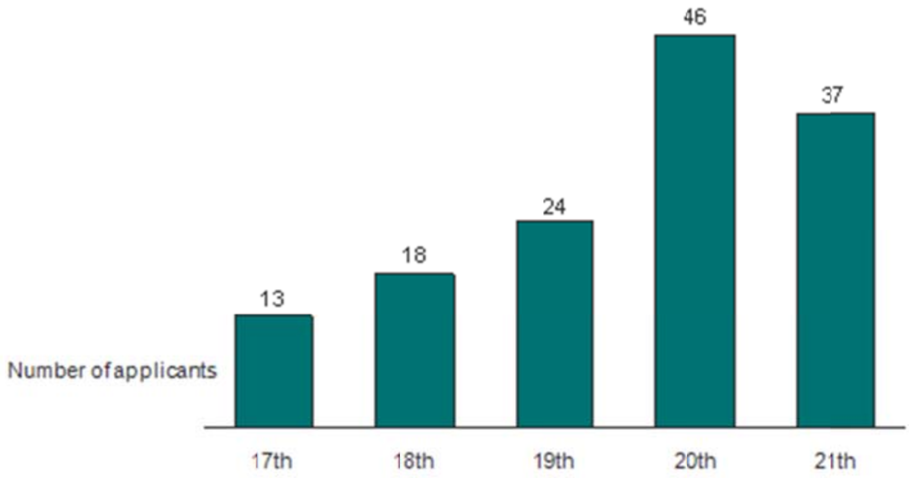
Tax incentives

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 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.

5.3 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 21th 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 37 companies that applied.

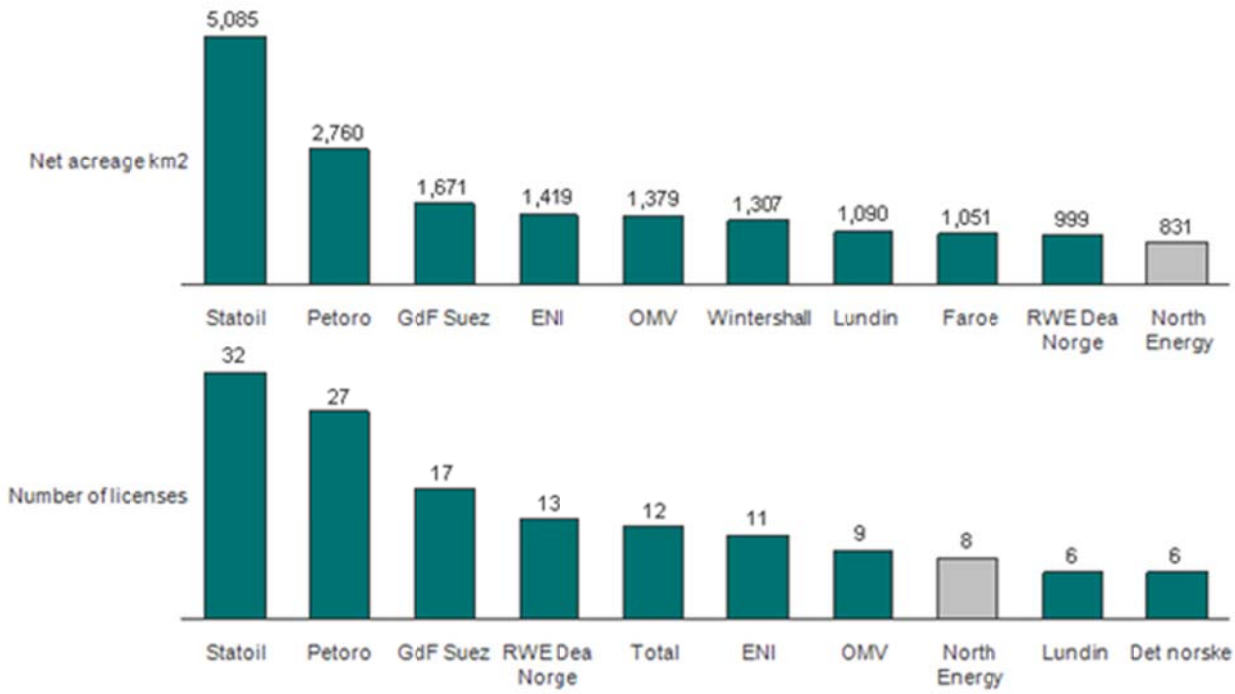
Figure – Applicants in the last numbered rounds



Source: Norwegian Petroleum Directorate

In the Barents Sea, 26 companies hold license interests, of which 13 are active as operators. Statoil and Petoro are the dominant players, while North Energy has a significant acreage position and most licenses of the small caps.

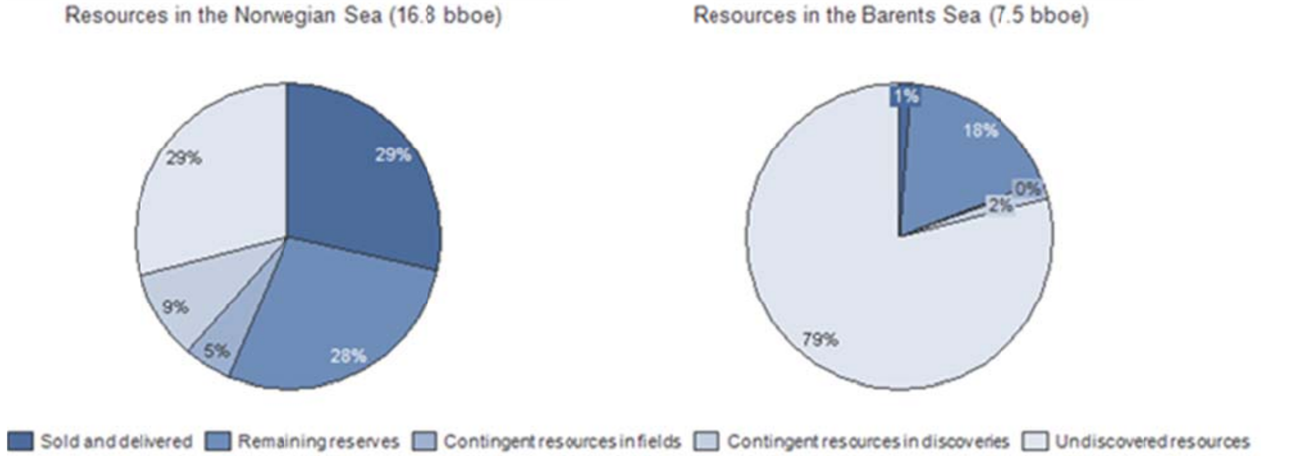
Figure: Largest players in the Barents Sea



Source: Norwegian Petroleum Directorate, DNB Markets

Compared to the North Sea both the Norwegian Sea and in particular the Barents Sea are in a less mature phase with 80 % of the estimated recoverable resources are still in the ground. As of year-end 2010, the NPD estimates total remaining recoverable resources in these areas to be around 19.4 bboe, representing 43 % of the total estimated remaining resources on the NCS. Of the 19.4 bboe, 12.0 bboe is estimated in the Norwegian Sea and 7.4 bboe in the Barents Sea.

Figure: Total resources in the north



Source: Norwegian Petroleum Directorate, Facts 2011

5.3.1 Unopened areas

There are still large areas of the NCS that the Norwegian Parliament has not opened for petroleum activities. This applies to all of the Barents Sea North, the north-eastern part of the Norwegian Sea (Troms II, Nordland VII and parts of Nordland VI), coastal areas off Nordland county, Skagerrak and the area around Jan Mayen. The general rule for unopened areas is that the Norwegian Parliament 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 environmental effects the activities could have for other industries and the surrounding district.

As regards Jan Mayen, the Government decided in 2009 to initiate an opening process for petroleum activities near Jan Mayen, with a view towards awarding production licences. A draft impact assessment program has been out for consultation.

The integrated management plan for the Barents Sea – Lofoten area was updated in March 2011. The government decided that during this parliamentary period, no environmental impact assessment will be carried out under the Petroleum Act for Troms II, Nordland VII, or the parts of Nordland IV, V and VI that have not been opened for petroleum activities The Norwegian Petroleum Directorate has been responsible for a three-year program for geological mapping and acquisition of seismic data in this process. In total, the Norwegian Petroleum Directorate estimates that there are 202 million standard cubic metres of undiscovered oil equivalents in the evaluated area, which includes Troms II, Nordland VII and Nordland VI.

Another interesting area for the petroleum activities is the eastern part of the Barents Sea. In April 2010, agreement was reached between Norwegian and Russian authorities regarding the maritime demarcation between Norway and Russia in the Barents Sea and the Arctic Ocean.

Figure: Norwegian and Russian part of the Barents Sea per April 2011

Source: Norwegian Petroleum Directorate/OGRI RAS

5.4 REGULATORY FRAMEWORK

5.4.1 Introduction

The ultimate regulatory authority with respect to the petroleum activities on the NCS is exercised by the Norwegian Parliament ("Stortinget"). The overall responsibility for ensuring that the petroleum activities are carried out in accordance with the regulatory framework laid down by Stortinget, rests with the MPE. Subordinated to the MPE is the Norwegian Petroleum Directorate ("NPD"), whose activities relate to resource management and day-to-day issues. The Petroleum Safety Authority ("PSA"), the regulatory authority for technical and operational safety, including emergency preparedness, and for the working environment, is subordinated to the Ministry of Labour. 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.

5.4.2 General framework

The legal basis for the government regulation of the petroleum sector is constituted by section 1-1 of the 1996 Petroleum Act, which states that the proprietary right to subsea petroleum deposits is vested in the State. The Petroleum Act provides the legal framework for the licensing system, whereby exploration and production licenses are awarded, as well as providing provisions regarding exploration, development, production, transportation of petroleum and decommissioning, and thereto related activities.

The level of state participation in the petroleum activities is high. The Norwegian State is the largest player on the NCS, by way of its shareholdings in Statoil, and by way of the State's Direct Financial Interest ("SDFI"), whereby the State participates directly in various production licenses. The SDFI is managed by the State-owned company Petoro AS.

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

5.4.3 The licensing system

The Norwegian offshore licensing system comprises various licenses, approvals, agreements and other mechanisms. Companies can apply for an exploration license, for the purpose of exploration activities, typically performing 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 core document in the licensing system, and provides the licensee an exclusive right to explore for (including exploration drilling), develop and produce petroleum in the block(s) covered by the license.

There are two systems for awarding production licences on the NCS. Production licences may be awarded through licensing rounds, which normally are arranged every second year. In addition, as from 2003, unlicensed acreage in mature areas on the NCS is open for application in annual award procedures. This award system ensures that very large areas close to existing and planned infrastructure are available for the industry. This area will be expanded as new areas mature, but the area is not to be reduced.

Companies can apply for license awards individually or in groups. To be eligible for license award, the company must be pre-qualified as a licensee, meaning that it must fulfil certain criteria regarding organisation, qualifications, financial strength, etc. There is no direct cash payment to the State for the award or development of production licenses. However, a fee of NOK 109,000 applies for the handling of the license application. An important factor which the MPE regularly asses in the competition for awards is the extent of work obligations and financial obligations which the applicant is willing and able to assume.

If the licensee has a parent company, the parent will regularly be required by the MPE to furnish a parent company guarantee, on a standard format provided by the MPE, to ensure fulfilment of obligations undertaken by the licensee towards the State or Norwegian public institutions, and for the licensee's possible liability towards the same in connection with petroleum activities.

The production license can be awarded to one or several oil companies, thus becoming licensees. One of them is 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. The license is awarded for an initial period (could be up to 10 years), 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 shall 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 recent years, the MPE has typically required that for acreage that has already been explored, licensees must decide to drill an exploration well within a relatively short time (typically 2 years), in order to retain the license ("drill or drop"). An area fee is payable after the initial period, based on the size of the acreage.

One of the conditions for the award of a production license is that the licensees enter into an agreement for petroleum activities. Such agreement consists of certain specific provisions, which set out e.g. the voting rules in the license, and the standardised joint operation agreement (the "JOA") and the accounting agreement. The latter regulates the accounting and financial aspects of the license joint venture. The JOA governs the relationship between the licensees, as it forms the basis for day-to-day management of the activities, allocation of costs, 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 licensees must enter into a unitization agreement which governs the licensees' rights in the deposit and which in practice replaces the JOA and the accounting agreement in relation to the 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.

5.4.4 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.

5.4.5 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, towards the MPE, individually accede to the plan. 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.

5.4.6 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 virtually comprises all transportation and processing facilities for gas transportation on the NCS 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.

5.4.7 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 main principle for the NPD is to ensure maximum depletion of petroleum from the reservoirs.

5.4.8 Decommissioning

The licensees are required to submit to the MPE a plan for decommissioning and cessation of the petroleum activities. The MPE then decides, based on the plan, on the disposal of the facilities. The decommissioning costs are carried by the licensees, and are petroleum tax deductible. Following transfer, cf. below, of a license share, a company will remain liable on a secondary pro rata basis for decommissioning costs if its successor defaults on its obligation to pay such costs.

5.4.9 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 the 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 E&P activities on the NCS is 78 per cent, consisting of a 28 per cent general income tax and a 50 per cent special petroleum tax to the State levied on income generated by exploitation, treatment or transportation of petroleum, 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 activities may not be set off against assessed income for special tax (50 per cent) purposes and there are limitations on the right to set of other losses against the general tax (28 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 based on the general rules in the GTA. The timing of deductions for tax purposes generally follows the realization principle, i.e. 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 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 28 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 28 per cent tax, and not against 78 per cent tax.

For general income tax purposes, depreciation deductions are permitted under a reducing 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.

5.4.10 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 in exploration for petroleum resources. The tax value is set to the total of direct and indirect costs multiplied by the tax rate, currently 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.

5.4.11 Transfer of license interests

All (direct or indirect) assignments of petroleum production licenses on the NCS are subject to the approval by the MPE under the Petroleum Act section 10-12 and of the MoFunder the PTA section 10. In Regulations dated 1 July 2009 the MoF has decided that certain, typical, transactions for which the PTA section 10 applies shall be approved as such without any processing of applications, provided that the parties submit certain information to the MoF and the oil taxation authorities.

For transactions not covered by said Regulations, one would still have to apply for an approval from the MoF. The MoF may stipulate specific conditions, which also deviate from the general tax legislation. The guiding principle for approval of transactions is that they should 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 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.

6 LEGAL STRUCTURE

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

Name	Country of incorporation	Ownership interest and voting rights
North Energy ASA	Norway	
4sea energy AS	Norway	100 %
4sea energy (UK) Limited	UK	100 %

North Energy ASA (Norway)

See Section 4.1 for further corporate details. As of the date of this Prospectus, North Energy ASA has 49 employees.

It is currently contemplated that going forward, North Energy is the main operational company within the group and is the entity that holds all of the group's production licenses except PL498 and PL503.

4sea energy AS (Norway)

4sea energy AS (org. no.: 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 Stavanger, Norway. 4sea energy is partner in the production licenses PL498 and PL503. 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.

4sea energy (UK) Limited (UK)

4sea energy (UK) Limited (org. no.: 6346793), a private limited liability company incorporated and registered in the UK, is a wholly owned subsidiary of 4sea energy. The company has no office in the UK. 4sea energy (UK) Limited has no assets or obligations and the company has the status as Dormant. As of the date of this Prospectus, 4sea energy (UK) Limited has no 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
Johan Petter Barlindhaug	Chairman	04.09.2007	Annual General meeting 2012
Harriet Hagan[1]	Board member	26.02.2008	Annual General meeting 2012
Leif Willy Finsveen	Board member	17.10.2007	Annual General meeting 2012
Heidi M. Petersen	Board member	20.05.2010	Annual General meeting 2012
Brynjar Forbergskog	Board member	11.05.2011	Annual General meeting 2013
Hans Kristian Rød	Board member	26.02.2008	Annual General meeting 2013
Ole Njærheim	Board member	20.05.2010	Annual General meeting 2012
Guri Helene Ingebrigtsen	Board member	09.12.2009	Annual General meeting 2012
Jørn Olsen	Board member	20.09.2010	20.09.2012

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; Kunnskapsparken, Markveien 38B, 9504 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 and Leif Willy Finnsween are still directors 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, Johan Petter 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.

Harriet Hagan (born 1956), Board member

Mrs. Hagan is Managing Director in Origo Kapital AS in Alta, and has worked 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.

Leif Finsveen (born 1951), Board member

Mr. Finsveen is one of the founders of North Energy and his career has been in the energy sector. He is currently the group CEO of Salten Kraftsamband (SKS) and has previously been the CEO of Lofotkraft and Bodø Energi. Mr. Finsveen is educated as a construction engineer, with additional education from the Norwegian Institute of Technology (NTH). Mr. Finsveen is a Norwegian citizen with residence in Bodø, Norway.

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 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.

[1] 26.02.2008-20.05.2010 and from 11.05.2011

Brynjar Forbergskog (born 1958), Board member

Mr. Forbergskog has been working as Managing Director of Torghatten ASA since May 2005. Prior to this he was CFO of the same company for 15 years. In December 2009 he was appointed CEO of the merged company Torghatten ASA. Forbergskog also has a number of positions within public and private sector.

Ole Njærheim (born 1970), Board member

Mr. Njærheim has more than 15 year experience from the investment sector and the oil and gas industry. He started his career with Standard & Poor's in London and has also worked for Lyse Energi, Petoro and Pareto PPN. From 2007 to 2011, Mr. Njærheim was Investment Director for IKM Invest, one of the current owners of North Energy. Since January 2012 Mr. Njærheim is the head of the oil and gas practice in Poyry Management Consulting, Mr. Nærheim holds a Bachelor of Commerce from Agder University (1994), He has a Master of Science from the University of Surrey (1995) and also holds an AFA Degree (Certified Financial Analyst) (2003). Mr. Njærheim is a Norwegian citizen with residence in Stavanger, Norway.

Hans Kristian Rød (born 1953), Board member

Mr. Rød has long experience from the oil and gas industry. He started his career in Mobil Exploration in the end of the seventies and has since worked for NPC and been executive director in Neste, later Fortum. His education is from the Norwegian School of Management (BI) and holds an MBA from the University of Wisconsin. Mr. Rød is a Norwegian citizen with residence in Nesøya, Norway.

Guri Helene Ingebrigtsen (born 1952), Board member

Mrs. Ingebrigtsen is a medical doctor in the hospital in Lofoten. Ingebrigtsen was the mayor of the largest municipality in Lofoten till 2007, and was the Minister of Social Affairs in the period 2000 – 2001. She is still active in the local politics. Ingebrigtsen was a member of the board of directors of Det Norske in the period 2007 – 2008 and is currently the chairman of the board of directors of LoVe Petro – an organization for regional business working for opening of Nordland VI and VII and Troms II. Mrs. Ingebrigtsen is a Norwegian citizen with residence in Stamsund, Norway.

Jørn Olsen (born 1950), Board member

Mr. Olsen is employed in North Energy as senior adviser. He is educated from NTNU with a master in economic geology. Olsen has more than 30 years' of experience from the petroleum industry; former employers include NTNU, Norsk Hydro, Moss Rosenberg Verft, Saga Petroleum, Scandpower Risk Management and Svenska Petroleum Exploration. His work experience covers reservoir geology, gas marketing, field development planning, project management, R&D, HSEQ and exploration. Mr. Olsen is the employee representative to the Board and a Norwegian citizen with residence in Moss, Norway.

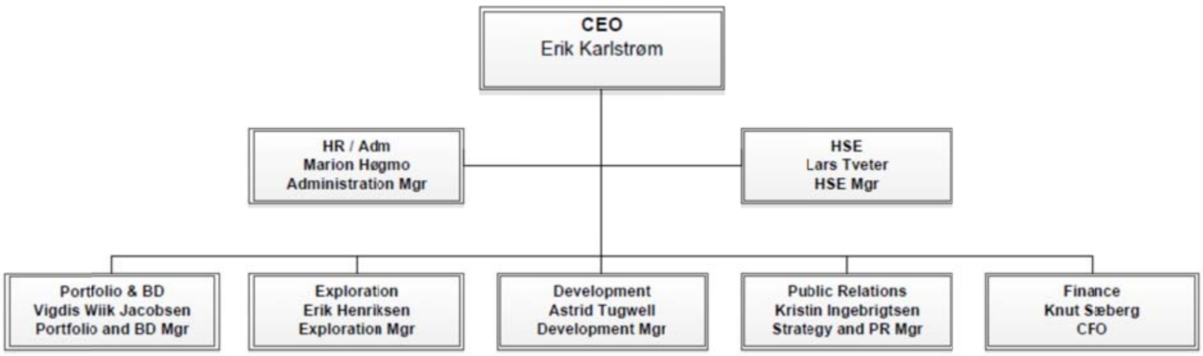
7.1.2 Senior management

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

The Company's business address, Kunnskapsparken, Markveien 38B, 9504 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 the 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 Business Administration from Kristiansand in 1984. Mr. Sæberg is a Norwegian citizen with residence in Asker, Norway.

Vigdis W. Jacobsen, (born 1950), Business Development and Portfolio Manager

Mrs. Wiik Jacobsen is Business Development and Portfolio manager. She has worked with exploration in Norway and internationally for more than 30 years. From 2001 Mrs. Jacobsen participated in the establishment of Gaz de France Norge where she was responsible for the exploration activity on the NCS. From 1983 to 2001 she mainly worked with exploration in Statoil, as exploration manager on the NCS and later as manager for exploration in the Caspian Sea. Mrs. Jacobsen has also been leader of the exploration committee in The Norwegian Oil Industry Association (OLF). Mrs. Jacobsen started her career in the Norwegian Petroleum Directorate and holds a master in geology from the University of Oslo. Mrs. Jacobsen is a Norwegian citizen with residence in Stavanger, Norway.

Erik Henriksen (born 1960), Exploration Manager

Mr. Henriksen was hired as the company's Exploration Manager in 2011. He has extensive exploration experience from the Norwegian Continental Shelf, with a special emphasis on the northern areas. Mr. Henriksen was educated as a geologist at the University of Tromsø, where he is still employed as an Associate Professor, teaching petroleum geology. He started his career at the Norwegian Petroleum Directorate (2 years) and later spent 20 years at Statoil. He has held specialised professional positions and managed projects in large parts of the Norwegian Continental Shelf. Mr. Henriksen was the head of sector and manager responsible during Statoil's "drilling campaign" 2000 -2001 in the Barents Sea, which resulted in three discoveries. During the past 10 years, Mr. Henriksen has worked with international problems and has been Statoil's Head of exploration for all the previous Soviet states, with a particular emphasis on Russia, Kazakhstan and Azerbaijan. Mr. Henriksen is a Norwegian citizen from the ore town of Narvik where he is still a resident.

Astrid M. Tugwell, (born 1963), Development Manager

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 she 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. Her last position for Shell was development manager for the Draugen field on Haltenbanken. 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), Human Resource and Administration Manager

Mrs. Høgmo has held the position as the Human Resource and Administration manager since March 2008. Her speciality is organisational development and management, and in the period from 2000 to 2008 she 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 she 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), Strategy and Public Relation Manager

Mrs. Ingebrigtsen was appointed Director of the Strategy & Public Relation from 1 June 2011. She 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. She 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. She also has broad experience from directorships in various companies. Mrs. Ingebrigtsen is a Norwegian citizen with residence in Bodø, Norway.

Lars Tveter, (born 1950, HSE Manager

Mr. Tveter is employed as the Manager for Health, Safety and the Environment (HSE) and has been with North Energy since it was founded. He came from a position as the General Manager for Aibel's operations in Libya.

Mr. Tveter started his career as process engineer for Kværner Engineering. During the period from 1980 to 1990 he held various positions in research & development, petroleum technology, operations and HSE at Total. He has been the Director of Personnel for Dolphin Drilling and the HSE Director for Hitec Dreco. During the period from 1994 to 2008, Mr. Tveter was responsible for international business development at Aibel. He has worked internationally several times: in Argentina, France, Egypt and Libya. Mr. Tveter is a graduate engineer from the Norwegian Institute of Technology (NTH) in Trondheim and has a Master's in International Management from the Norwegian School of Management (BI) in Oslo. Mr. Tveter is a Norwegian citizen with residence in Stavanger, Norway.

7.1.3 Conflict of interests

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. Johan Petter Barlindhaug is director and (with family members) the sole owner of JBP AS, which owns 5.43 % of the shares in the Company. Harriet Hagan is managing director of Origo Kapital AS which owns 5.33 % of the shares in the Company. Hagan is employed by Origo Nord AS, and she is chairman of Origo Økonomipartner AS (100 % owned by Origo Nord AS) which provides accounting services to the Company as further described in section 9.4 below. Leif Willy Finsveen represents SKS Eiendom AS which owns 7.23 % of the shares in the Company.

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

7.1.4 General

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 Kristin Ingebrigtsen was the chairman of Backwinder AS which was declared banckrupt in 2007. Director Hans Kristian Rød was a director of Scan Geophysical ASA which was declared bankrupt in 2009.

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	<u>Directorships</u>: JPB AS (C) Frisheim (C) Brink AS (C) Honningsvåg Brygge AS (BM) MAPO AS (BM) NOFI AS (BM) Perpetuum AS (BM) <u>Position</u>: Friskheim AS (CEO) Brink AS (CEO)	<u>Directorships</u>: MAPO AS (C) Perpetuum AS (C) Barlindhaug AS (C) Sydvaranger AS (C) <u>Universitetsykehuset i Nord Norge (C)</u> <u>Position</u>: None

Brynjar Forbergskog	<u>Directorships:</u> Torghatten Trafikkselskap AS (C) Maritim Adventure AS(C) Saturn Invest (C) Sør Helgeland Vaktselskap AS(C) Brønnøysund Havneterminal (C) TTS Dekk og Bilsenter AS(C) Hifo Invest AS (C) Norgesbuss AS (BM) North Sea Safety KS (BM) Dyvi Cable Ship AS (BM) Bastø Fosen AS (BM) Krifo Invest AS (BM) Omniservice AS (BM) Sparebankstiftelsen Helgeland (BM) Fosennamsos Sjø AS (BM) Torghatten Buss AS (BM) JoF Invest AS (BM) Partrederiet Kystekspressen AS(BM) <u>Position:</u> Torghatten ASA (CEO) Torghatten Trafikkselskap AS (CEO) Torghatten Bus AS (CEO) Brønnøysund Havneterminal (CEO)	<u>Directorships:</u> <u>Position:</u>
Harriet Hagan	<u>Directorships</u>: Amie AS (C) Nordlysbadet AS (BM) Destinasjon 71 Grader Nord AS (BM) Hammerfest Strøm AS (BM) Tieman Kraft AS (BM) Origo Økonomipartner AS (C) Norinnova AS (BM) Verdde AS (BM) <u>Position</u>: None	<u>Directorships</u>: Odin AS (C) Origo Kultur AS (BM) Hindtåsen Boliger AS (BM) Polyfemos AS (C) K2 Solutions AS (C) Nordkapp Næringshage AS (BM) OK IT AS (C) <u>Position</u>: None
Leif Finsveen	<u>Directorships</u>: SKS Produksjon AS (C) SKS Kraftsalg AS (C) SKS Eiendom AS (C) Rødøy-Lurøy Kraftverk AS (C) KapNord Fond AS (C) Kunnskapsparken Bodø AS (C) Kunnskapsfondet Nordland AS (C) Nord-Salten Kraft AS (BM) M3 Anlegg AS (C) Nord Norsk Vindkraft AS (BM) <u>Position</u>: Salten Kraftsamband AS (CEO)	<u>Directorships</u>: KystTele AS (C) Signal AS (C) SKS Nett AS (C) Sameiet Solgården Terrasse (C) Senter for Innovasjon & Bedriftsøkonomi AS (BM) <u>Position</u>: None
Heidi M. Petersen	<u>Directorships</u>:	<u>Directorships</u>:

	TS-Production Partner AS (C) TS Group AS (C) Future Subsea AS (C) Luuna AS (C) Technical Support AS (C) Cecon ASA (BM) Eitzen Chemical ASA (BM) Calora Subsea (BM) Glamox ASA (BM) Arendal Fossekompani ASA (BM) Position: Luuna AS	Sandefjord Airport (C) Position: None
Ole Njærheim	Directorships: IHM Holding AS (C) Neguen Norge (BM) Scanfarm AS (BM) Position: Poyry Management Consulting (Head of oil and gas) Scanfarm AS (CEO)	Directorships: Acona AS (BM) IOR Technology AS (BM) Base Property AS (BM) Bjørnson Organisasjonspsykologene AS (BM) SR Bank (member of supervisory board) Position: Spring Capital AS (investment manager) IKM Invest AS (investment manager) IKM Industri-invest AS (CEO)
Hans Kristian Rød	Directorships: Infratek ASA (BM) PA Resources AB (BM) Foyninvest AS (C) Ishavskraft AS (BM) Fredrikstad Energi AS (BM) Infragas Norge AS (C) Fortum Nordic AB (NUF) (BM) Position: Foyninvest AS (CEO)	Directorships: Scan Geophysical ASA (BM) EDB Business Partner ASA (BM) Position: None
Guri Helene Ingebrigtsen	Directorships: LoVE Petro AS (C) Stiftelsen Helse og Rehabilitering (BM) Norsk nettverk av helse- og miljøkommuner (C) Høyskolen i Narvik (BM) Norsk Petroleumsforening – Nordland (BM) Position: None	Directorships: Norsk nettverk av helse- og miljøkommuner (BM) Husbanken, region Nord (BM) Det Norske Oljeselskap ASA (BM) Stiftelsen Amathea (C) Position: None
Jørn Olsen	Position: North Energy Exploration Advisor	Position/directorship: None

Senior management	**Current positions/directorships**	**Previous directorships/positions (last 5 years)**
Erik Karlstrøm	Position: None Directorships: None	Positions: None Directorships: None

Knut Sæberg	Position: None Directorships: None	Positions: Optimera Gruppen AS (CFO) Directorships: Optimera AS (BM) Optimera Svenska AB (BM) Optimera Danmark AS (BM)
Erik Henriksen	Position: None Directorships:	Positions: Statoil Directorships: None
Vigdis W. Jacobsen	Position: None Directorships: Vikaelva Kraftverk AS (C) Enfram AS	Positions: Gaz de France Norge AS (exploration manager) Directorships: None
Astrid M. Tugwell	Position: None Directorships: Gassmaks (Norges Forskningsråd) (BM) Frydenbø Øksfjord Slipp og Mekk AS (BM) Stiftelsen Madlavoll Teknolab (C)	Positions: None Directorships:
Marion Høgmo	Position: None Directorships: Connect Nord Norge (BM) El Tele AS (BM)	Positions: SpareBank 1 Nord-Norge, Alta (Region Manager) Nordea, Alta (Manager) Directorships: Alta Næringsforening (C)
Lars Tveter	Position: None Directorships: LNT Eiendom AS ENNTE AS	Positions: Aibel Libya (General Manager) ABB IPM (Managing Director) Aibel AS (Various managing positions within the group) Directorships: EMC Co. (Egyptian Maintenance Company) (BM)
Kristin Ingebrigtsen	Position: None Directorships: Dental Innova AS (BM) Fall Stop AS (BM) Creative Visual Group AS (BM)	Position: Såkorn Invest Nord AS (CEO) Pronord AS (Portfolio Manager) Rapp Hydema AS (Market Manager) Directorships: North Energy ASA (BM) AutoSim AS (BM) Rapp Bomek AS (BM) Backwinder AS (BM) Arena Norge AS (BM) Megaphone 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 2011 was NOK 360,000 for the Chairman, NOK 120,000 for each Board member and NOK 80,000 for employee representative.

The table below summarizes the remuneration of senior management as per date of this Prospectus for the financial year 2011:

Name	**NOK 1,000**	**2011 Salaries/benefits****	**2011 Pension benefits**
Senior management			
Erik Karlstrøm	CEO	2,649	559*
Knut Sæberg	CFO	2,064	365
Vigdis W. Jacobsen	Business Development and Portfolio Manager	1,558	304
Erik Henriksen	Exploration Manager	1,897	326
Astrid M. Tugwell	Development Manager	1,356	232
Kristin Ingebrigtsen	Strategy and Public Relation Manager	1,195	182
Marion Høgmo	Human Resource and Administration Manager	961	134
Lars Tveter	HSEQ Manager	1,198	444
	Total	12,878	2,546

* North Energy has in addition an early retirement arrangement covering the CEO-position amounting to 1,438,000.
**In addition 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 2011 are not reflected. Reference is made to 7.2.4 for details on employee bonus program.

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 Group is entitled to special benefits from the Company or the Group upon termination of the 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 11 May 2011 the general assembly elected the following persons to make up the Company's nomination committee:

- Tore Andreassen (Chairman)
- Sten-Rune Brekke
- Per-Erik Ramstad
- Anna Maria Aursund
- Ståle Kyllingstad

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 continues 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. However, in August 2011 certain employees of the Company were offered Shares at a subscription price of NOK 1 per Share. The payment for the Shares was set-off against the consideration of the relevant employee and thus paid in cash. In total 647,874 new Shares were issued. The Shares were allocated to the following employees:

Name	Number of shares
Astrid Tugwell	3 415
Jørn Olsen	1 611
Lars Tveter	4 293
Marion Høgmo	3 017
Knut Sæberg	5 573
Erik Karlstrøm	13 473

7.2.4 Employee bonus program

The Company has established a discretionary bonus program under which employees may be granted two of a total of four months' salary in subscription rights, provided that all bonus criteria are satisfied. The number of bonus shares to be granted to the respective employee shall be based on the determined subscription price under the bonus program.

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 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. 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 Group are entitled to special benefits from the Company or the Group upon termination of the employment.

The Company has granted loans and guarantees to its senior management as follows.

Name	Loan	Option	Interest	Purpose
Senior management				
Erik Karlstrøm	1.352.638		2 % p.a. nominal interest	Housing in Alta
Lars Tveter		2.000.000	2 % p.a. nominal interest	Housing in Alta
Torleiv Agdestein	1.607.087		2 % p.a. nominal interest	Housing in Alta
Muhammad Tanveer	1.672.724		2 % p.a. nominal interest	Housing in Alta
Artur Kotwicki	1.332.049		2 % p.a. nominal interest	Housing in Alta
Laszlo Buko	1.510.285		2 % p.a. nominal interest	Housing in Alta
Agnieszka Langvann	1.233.008		2 % p.a. nominal interest	Housing in Alta
Artem Rabey	2.149.125		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 % owned)	1,370,000	0	0
Harriet Hagan	Member of the Board	Amie AS	25,000	0	0
Leif Finsveen	Member of the Board		0	0	0
Hans Kristian Rød	Member of the Board		0	0	0
Ole Njærheim Heidi M. Petersen	Member of the Board Member of the Board		0	0	0
Guri Helene Ingebrigtsen	Member of the Board		0	0	0
Jørn Olsen	Member of the Board		4,497	0	0
Brynjar Forbergskog	Member of the Board		0	0	0
Senior management					
Erik Karlstrøm	CEO		642,980	0	0
Knut Sæberg	CFO		22,073	0	0
Erik Henriksen	Exploration Manager		0	0	0
Vigdis W. Jacobsen	Business Development and Portfolio Manager		41,000	0	0
Astrid M. Tugwell	Development Manager		39,427	0	0
Kristin Ingebrigtsen	Strategy and Public Relation Manager		0	0	0
Marion Høgmo	HR and Administration Manager		8,056	0	0
Lars Tveter	HSE Manager		32,700	0	0

7.3 Employees

As of the date of this Prospectus, North Energy has 49 employees. The table below illustrates the development in number of employees over the last years, as per the end of each calendar year from 2007 until 2011.

Employees	2007	2008	2009	2010	2011
North Energy	1	30	38	44	51

As of the date of this Prospectus North Energy have 7 loans outstanding to its employees, in an aggregate amount of NOK 10.86 million.

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 20 October 2011. North Energy 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

The Company and Group have not entered into any material or non-material contracts outside the ordinary course of business the last two years prior to the date of this Prospectus.

9.2 Financing agreements

The Company has a NOK 950,000,000 revolving exploration finance facility (the "Facility") with DNB, BNP Paribas and Skandinaviska Enskilda Banken AB, for 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. 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 2.0 %. The Facility is secured with first priority charges over (i) the tax refunds available to the Company in accordance with Section 3 of the Norwegian Petroleum Tax Act 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 2012. A tendering process for a new facility will be initiated and expected completed in the third or fourth quarter 2012.

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 31 December 2011the Company has utilised approx. NOK 348 million of the Facility.

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 transactions

The following is an overview of the related party transactions entered into by the Company and the Group in the period from 1 January 2007 to 31. December 2011:

2007		
Related Party	**Description of transaction**	**Amount (NOK)**
Origo Nord AS (management company for the shareholder Origo Kapital)	Origo Nord AS rendered management services to the Company.	235,000
2008		
Related Party	**Description of transaction**	**Amount (NOK)**
Origo Nord AS (management company for the shareholder Origo Kapital)	Origo Nord AS rendered management services to the Company.	1,080,000
Marion Høgmo (member of senior management)	The Company rented and made available an apartment to Marion Høgmo.	120,000
2009		
Related Party	**Description of transaction**	**Amount (NOK)**

Origo Nord Kapital AS (management company for the shareholder Origo Kapital)	Origo Nord AS rendered HR and other administrative services to the Company.	186,336
Origo Økonomipartner, 100 % owned by Origo Nord as (management company for the shareholder Origo Kapital AS)	Origo Økonomipartner AS rendered accounting services to the Company.	450,000
Origo Nord Kapital AS (management company for the shareholder Origo Kapital)	Origo Nord AS rendered information, web and consulting services to the Company.	150,000
Johan Petter Barlindhaug (chairman)	Barlindhaug Consult AS rendered consulting services to the Company.	25,000
2010		
Related Party	**Description of transaction**	**Amount (NOK)**
Origo Økonomipartner, 100 % owned by Origo Nord as (management company for the shareholder Origo Kapital AS)	Origo Økonomipartner AS rendered accounting services to the Company.	155,000
Origo Nord Kapital AS (management company for the shareholder Origo Kapital)	Origo Nord AS rendered information, web and consulting services to the Company.	56,000
Johan Petter Barlindhaug (chairman)	Barlindhaug Consult AS rendered consulting services to the Company.	51,000
2011		
Related Party	**Description of transaction**	**Amount (NOK)**
Origo Økonomipartner, 100 % owned by Origo Nord as (management company for the shareholder Origo Kapital AS)	Origo Økonomipartner AS rendered accounting services to the Company.	155,025
Origo Nord Kapital AS (management company for the shareholder Origo Kapital)	Origo Nord AS rendered information, web and consulting services to the Company.	27,476
Johan Petter Barlindhaug (chairman)	Barlindhaug Consult AS rendered consulting services to the Company.	103,528

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

9.5 Purpose

The purpose of the Company, as set out in the articles of association section 3, is to explore, develop fields and produce oil and gas on the Norwegian continental shelf and the Russian Barents sea area, an own or participate in entities that operate similar business activities.

10 FINANCIAL INFORMATION

10.1 Statutory auditors

The Company’s auditor is PricewaterhouseCoopers AS, Skippergata 35/39, P.O.Box 6128, 9291 Tromsø, Norway. PricewaterhouseCoopers AS and its audit partner are members of the Norwegian Institute of Public Accountants. (“Den Norske Revisorforening”). PricewaterhouseCoopers has been the Company’s auditor since the Company’s incorporation.

The Company`s annual accounts for the years ended 31 December 2008, 2009 and 2010 have been prepared in accordance with IFRS as endorsed by the EU. PricewaterhouseCoopers AS has performed an audit of the Company’s annual accounts for the years ended 31 December 2008, 2009 and 2010 in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants.

10.2 Overview

The Company’s consolidated audited financial reports for 2008, 2009 and 2010 including notes may be found at the Company’s website; www.northenergy.no, and information published after 28 December 2009, at www.newsweb.no under the ticker ”NORTH”. Quarterly reports and presentations from 2010 and 2011 are also available on the Company website.

The Company’s audited annual accounts prepared in accordance with IFRS for 2008 to 2010 are also enclosed as Appendix 2 – 5.

10.3 Summary of significant accounting policies

The historical financial information for North Energy has been prepared and presented in accordance with the European Union’s approved International Financial Reporting Standards (IFRS) and such accompanying interpretations, together with supplementary Norwegian reporting requirements as defined in Norwegian laws and by the Oslo Stock Exchange, as were applicable for 2008 to 2010.

Please see the annual accounts for 2010 (note 2) in Appendix 2, for the Company's accounting policies.

10.4 Historical financial information

The following Sections (10.4.1 - 10.4.4) are a summary of the Company’s consolidated financial statements as set out in Appendices 2-6 in this Prospectus.

10.4.1 Income statements

Set out below is the audited IFRS income statements for the Company for the years ended 31 December 2008, 2009, 2010 derived from the audited consolidated financial statements for the years then ended and unaudited financial information for the year ended 31 December as derived from the 31 December interim financial information, together with unaudited financial information for fourth quarter 2011 and unaudited financial information for fourth quarter 2010:

(Figures in `000 NOK)	**Q4 2011 unaudited**	**Q4 2010 unaudited**	**Year 2011** unaudited	**Year 2010** audited	**Year 2009** audited	**Year 2008** audited
Revenues	0	0	0	0	0	0
Payroll and related cost	(16 453)	(16 116)	(70,949)	(62,149)	(62,370)	(41,969)
Depreciation and amortisation	(2 150)	(1 497)	(7,179)	(4,593)	(3,414)	(2,013)
Exploration expenses	(198 176)	(118 646)	(340,154)	(179,049)	(113,098)	(62,789)
Other operating expenses	(10 641)	(10 370)	(40,004)	(43,445)	(28,752)	(34,031)
Operating profit (loss)	**(227 420)**	**(146 629)**	**(458,286)**	**(289,236)**	**(207,633)**	**(140,802)**
Finance income	8 842	4 285	18,602	9,464	4,300	1,925
Finance cost	(13 171)	(1 479)	(32,095)	(4,740)	(5,113)	(1,405)
Profit (loss) before tax	**(231 748)**	**(143 823)**	**(471,780)**	**(284,512)**	**(208,446)**	**(140,282)**
Income tax (charge) credit	182 399	98 062	361,223	221,596	144,029	101,005
Profit (loss) for the period	**(49 349)**	**(45 761)**	**(110,556)**	**(62,916)**	**(64,417)**	**(39,277)**
Earnings (loss) per share (NOK):						
- Basic	(1,96)	(1,82)	(4,39)	(2,67)	(8,07)	(119.06)
- Diluted	(1,96)	(1,82)	(4,39)	(2,67)	(8,07)	(119.06)
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 interim financial reports.

10.4.2 Balance sheets

Set out below is the audited IFRS balance sheets for the Company for the years ended 31 December 2008, 2009, 2010 and the unaudited IFRS balance sheets for 2011:

(Figures in `000 NOK)	**Q4 2011 unaudited**	**Q4 2010 unaudited**	**31 Dec 2011** unaudited	**31 Dec 2010** audited	**31 Dec 2009** audited	**31 Dec 2008** audited
Assets						
Property, plant and equipment	22,072	16,167	22,072	16,167	13,387	15,597
Capitalized exploration and license cost	376,719	128,214	376,719	128,214	9,382	0
Long term receivables and other prepayments	19,765	17,528	19,765	17,528	9,782	4,507
Total non-current assets	**418,556**	**161,909**	**418,556**	**161,909**	**32,551**	**20,104**
Current assets						
Prepayments and other receivables	54,854	37,926	54,854	37,926	15,118	7,717
Tax receivables from refund	553 550	347,532	553 550	347,532	148,960	101,005
Financial asset	0	4,674	0	4,674	0	
Cash and cash equivalents	34,026	86,015	34,026	86,015	45,671	13,331
Total current assets	**642 610**	**476,147**	**642 610**	**476,147**	**209,748**	**122,053**
Total assets	**1 061 167**	**638,056**	**1 061 167**	**638,056**	**242,299**	**142,157**
Equity						
Paid in capital	660,936	660,861	660,936	660,861	269,772	161,531
Retained earnings	(291,159)	(180,685)	(291,159)	(180,685)	(116,837)	(52,588)
Total equity	**369,777**	**480,176**	**369,777**	**480,176**	**152,935**	**108,943**
Non-current liabilities						
Pension liabilities	18,766	15,346	18,766	15,346	6,110	1,818
Deferred tax	202 225	45,791	202 225	45,791	0	
Total non-current liabilities	**220 991**	**61,137**	**220 991**	**61,137**	**6,110**	**1,818**
Current liabilities						
Current borrowings	348,348	0	348,348	0	45,000	9,289
Trade creditors	66,108	47,185	66,108	47,185	16,949	5,712
Other short-term liabilities	55,943	49,559	55,943	49,559	21,305	16,395
Total current liabilities	**470,399**	**96,743**	**470,399**	**96,743**	**83,254**	**31,396**
Total equity and liabilities	**1 061 167**	**638,056**	**1 061 167**	**638,056**	**242,299**	**142,157**

The figures are extracted from the Company's consolidated audited annual financial statements and the Company's unaudited financial information for the year ended 31 December 2011 as derived from the 31 December 2011 interim financial information.

The total balance sheet increased from NOK 142.2 million at year end 2008 to NOK 242.3 million at year end 2009. This can largely be explained by an increase in paid in capital of NOK 108.4 million, increase in the current borrowing of NOK 45.0 million and a reduction in retained earnings of NOK 64.2 million due to the cost of establishing and forming the company.

Due to the company's first two wells, PL 433 Fogelberg and PL 341Stirby, and capital injection in connection with stock listing, the total balance sheet increased from NOK 242.3 million at year end 2009 to NOK 638.1 million at year end 2010. The capitalized exploration and license cost increased from NOK 9.4 million in 2009 to NOK 128,2 in 2010 due to the successful gas condensate discovery on PL 433 Fogelberg. The tax receivable from refund increased to NOK 347.5 million at year end 2010 due to the higher exploration activity level compared to 2009. Due to the capital injection of NOK 400 million in February 2010, the company increased its cash and cash equivalents to NOK 86.0

million, compared with NOK 45.7 million in the year before. Also due to the capital injection, the company did not have any current borrowing at year end 2010.

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 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 Q4 2011 and Q4 2010 balance sheet corresponds to 31 December 2011 and 31 December 2010, and are commented on above.

10.4.3 Cash-flow statements

Set out below is the audited IFRS cash flow statement for the Company for the years ended 31 December 2008, 2009, 2010 and the unaudited IFRS cash flow statements for 2011:

(Figures in `000 NOK)	**Q4 2011 unaudited**	**Q4 2010 unaudited**	**Year 2011** unaudited	**Year 2010** audited	**Year 2009** audited	**Year 2008** audited
Cash flow from operating activities						
Profit/loss after tax	(231 748)	(143 823)	(471,780)	(284,512)	(208,446)	(140,282)
Adjustments:						
Tax income	346 132	160 727	341,251	160,727	98,221	13,701
Depreciation	2 098	1 497	7,179	4,593	3,414	2,013
Impairment capitalised exploration expenses	37 213	52 016	58,960	52,016	0	
Pensions	2 978	2 052	925	2,778	1,262	(1,029)
Expensed share-based payment recognised in equity	0	2 571	0	2,571	15,975	6,730
Changes in trade creditors, debtors and accruals	36 880	39 796	12,560	29,727	8,746	12,580
Cash flow from operating activities	201 846	115 135	(30,837)	(30,748)	(80,827)	(106,287)
Cash flow from investing activities						
Purchase of equipment	(6 654)	(2 098)	(13,011)	(7,076)	(1,204)	(13,712)
Purchase of intangible assets	(61 563)	(129 560)	(337,440)	(232,372)	(11,529)	0
Acquisition of subsidiary, net cashflow	0	0	0	30,931	0	
Changes in other non-current receivables	142	266	631	(5,520)	(2,079)	(2,832)
Cash flow from investing activities	**(68 074)**	**(131 392)**	**(349,819)**	(214,038)	(14,811)	(16,544)
Cash flow from financing activities						
Increase in short term and long term loans, transaction cost and interest	(97 827)	0	328,773	(45,000)	35,711	9,289
Issue of shares and warrant shares	(8 091)	(299)	75	331,481	92,267	108,181
Cash flow from financing activities	(105 918)	(299)	328,848	286,481	127,978	117,470
Net change in cash and cash equivalents	**27 854**	**(16 556)**	**(51,809)**	**40,344**	**32,340**	**(5,361)**
Cash and cash equivalents at beginning of the period	6 352	102 571	86,015	45,671	13,331	18,692
Cash and cash equivalents at end of the period	**34 206**	**86 015**	**34,206**	**86,015**	**45,671**	**13,331**

The figures are extracted from the Company's audited annual financial statements and the Company's unaudited financial information for the year ended 31 December 2011 as derived from the 31 December 2011 interim financial information.

Cash flow from operating activities had a positive development from NOK (106.3) million in full year 2008 to NOK (80.8) million in full year 2009. A further positive development occurred in full year 2010 with NOK (30.7) million. This levelled out in 2011 with NOK (30.8) million. The main reason for the positive development is that the

Company's activities have moved from establishing the company and organisation, which are not tax refundable activities, to exploration activities which are 78 % tax refundable.

Cash flow from investing activities remained at a low and stable level in full year 2008 and full year 2009 with NOK (16.5) million and NOK (18.1) million correspondingly. Following wells PL 433 Fogelberg and PL 341 Stirby in 2010 and PL 535 Norvarg, PL 530 Heilo and PL 518 Zapffe wells in 2011, the cash flow from investing activities increased from NOK (214.0) million in 2010 to NOK (349.8) million in 2011.

Cash flow from financing activities remained positive throughout the period from full year 2008 to full year 2011. The cash flow from financing activities in full year 2008 of NOK 117.5 million can mainly be explained by equity injection from shareholder. The cash flow from financing activities in full year 2009 of NOK 130.0 million can mainly be explained by equity injection from shareholder. The cash flow from financing activities in full year 2010 of NOK 286.5 million can mainly be explained by equity injection from shareholder, which was combined with acquisition of 4 sea 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.

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 for the years ended 31 December 2007 to 2011

(Figures in `000 NOK)	**Share capital**	**Share premium account**	**Other paid-in capital**	**Retained earnings**	**Total equity**
Equity at 31th December 2007	**1 500**	**119**	**45 000**	**-10 609**	**36 010**
Capital reduction	-1 350		1 350		0
Registration paid-in capital	1 800	43 200	-45 000		0
Shares issued	3 861	104 320			108 181
Warrants employees			6 730		6 730
Total result for 2008				-41 978	-41 978
Equity at 31th December 2008	**5 811**	**147 639**	**8 080**	**-52 588**	**108 943**
Shares issued	3 390	94 319			97 709
Shares issued expenses		-5 442			-5 442
Underwriters warrants		-2 944	2 944		0
Warrants employees			13 308		13 308
Equity settled bonus employees			2 667		2 667
Total result for 2009				-64 250	-64 250
Equity at 31th December 2009	**9 201**	**233 573**	**26 999**	**-116 837**	**152 935**
Shares issued	15 949	390 663			406 612
Shares issued expenses (net after tax)		-18 095			-18 095
Share-based payment, bonus shares			2 571		2 571
Total result for 2010				-63 848	-63 848
Equity at 31th December 2010	**25 150**	**606 141**	**29 570**	**-180 685**	**480 176**
Shares issued (unaudited)	75				75
Total result for 2011 (unaudited)				-110 474	-110 474
Equity at 31th December 2011 (unaudited)	**25 224**	**606 141**	**29 570**	**-291 159**	**369 777**

The figures are extracted from the Company's audited annual consolidated financial statements and the Company's unaudited financial information for the year ended 31 December 2011 as derived from the 31 December 2011 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 Comments to the financial statements

The following discussion and analysis of the Company's financial condition and results of operation refers to the year ended 31 December 2008, 2009, 2010 and 2011 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 financial position.

10.5.1 Development in the fourth quarter of 2011 compared to the fourth quarter of 2010

The exploration expenses increased from NOK 118.6 million in the fourth quarter 2010 to NOK 198.2 million in the fourth quarter 2011, while the finance cost increased from NOK 1.5 million to NOK 13.2 million, due to dry wells in both PL 530 Heilo and PL 518 Zapffe in 2011 and increased drawdown of the Facility due to higher activity level. Fourth quarter 2010 contained the drilling expenses of non-commercial discovery in PL 341 Stirby.

Net result in fourth quarter 2011 decreased from NOK (45.8) million in fourth quarter 2010 to NOK (49.3) million. Cash flow from taxes increased to NOK 346.1 million from NOK 160.7 million in the corresponding quarter in 2010, due to tax refundable activities with two well in 2010 were higher than in 2009, a year which did not include any drilling activities. Capitalized exploration cost and deferred tax increased due to higher activity level and especially the successful gas discovery at PL 535 Norvarg. Commercial discoveries are capitalized on the balance sheet as capitalized exploration cost while dry wells and non-commercial discoveries are expensed.

10.5.2 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, while the finance cost increased from NOK 4.7 million to NOK 32.1 million, due to dry wells in both PL 530 Heilo and PL 518 Zapffe in 2011 and increased drawdown of the Facility due to higher activity level. 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. Full year 2010 contained the drilling expenses of non-commercial discovery in PL 341 Stirby. The organisation increased from 44 staff in 2010 to 51 staff in 2011 which 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.

Net result for the full year 2011 decreased from NOK (62.9) million in full year 2010 to NOK (110.6) million. Cash flow from taxes increased to NOK 341.3 million from NOK 160.7 million in the corresponding quarter in 2010, due to tax refundable activities with two well in 2010 were higher than in 2009, a year which did not include any drilling activities. Both capitalized exploration cost and deferred tax increased due to higher activity level and especially the successful gas discovery at PL 535 Norvarg. Capitalized exploration for the full year 2011 of NOK 376.7 million largely contained the two commercial discoveries PL 535 Norvarg and PL 433 Fogelberg.

10.5.3 Development in the year ended December 2010 compared with full year 2009

The exploration expenses increased from NOK 113.1 million in the full year 2009 to NOK 179.0 million in the full year 2010 due to the non-commercial discovery in PL 341 Stirby

After a successful capital injection of NOK 350 million in February 2010, in connection with stock listing on Oslo Axess, the capital structure was much improved compared with 2009.

Cash flow from taxes increased to NOK 341.3 million from NOK 160.7 million in the corresponding quarter in 2010, due to tax refundable activities with two well in 2010 were higher than in 2009, a year which did not include any drilling activities. Both capitalized exploration cost and deferred tax increased due to higher activity level and especially the successful gas discovery at PL 535 Norvarg. Capitalized exploration for the full year 2011 of NOK 376.7 million largely contained the two commercial discoveries PL 535 Norvarg and PL 433 Fogelberg.

10.5.4 Development in the year ended December 2009 compared with full year 2008

Net result for the full year 2009 decreased from NOK (39.3) million in the full year 2008 to NOK (64.4) million, mainly due to increase in number of employees and increased exploration activity with preparation for future application rounds and investments in seismic.

10.5.5 The financial year 2009

The operating loss of the year was NOK 207.6 million represented mainly by payroll and related costs of NOK 62.4 million, exploration expenses of NOK 113.2 million and other expenses of NOK 28.8 million. The tax credit was estimated to NOK 144.0 million giving a net loss after tax of NOK 64.4 million. The total assets of NOK 242.3 million consisted mainly of the tax refund, non-current assets of NOK 149.0 million and cash and cash equivalents of NOK 45.7 million. Total paid in capital per year end were NOK 269.8 million and the total equity NOK 152.9 million being reduced by the retained earnings of NOK 116.8 million. The total equity ratio was reported to 63 %.

10.5.6 The financial year 2008

The main focus of the company in 2008 was to continue the build-up of the organisation and to establish adequate management systems. North Energy was approved as a licensee on the NCS in August 2008 and applied for licenses both in the APA 2008 and the 20th concession round. This resulted in a participating interest in PL 510 and PL 518 in the Norwegian Sea and the Barents Sea.

The operating loss of the year were NOK 140.8 million consisting mainly of payroll and related costs of NOK 42.0 million, exploration expenses of NOK 62.8 million and other expenses of NOK 34.0 million. The tax credit was estimated to NOK 101.0 million giving a net loss after tax of NOK 39.3 million. The total assets of NOK 142.2 million consists mainly of the tax refund, non-current assets of NOK 20.1 million and cash and cash equivalents of NOK 13.3 million. Total paid in capital per year end were NOK 161.5 million and the total equity NOK 108.9 million being reduced by the retained earnings of NOK 52.6 million. The total equity ratio is reported to 77 %.

10.5.7 Major events subsequent to 31 December 2011

The results from the APA 2011 were announced in January 2012. North Energy was awarded 2 licences. A 10 % interest in PL 656, together with Eon Ruhrgas Norge AS (30 %) as operator, DONG E&P Norge AS (20 %), Repsol Exploration Norge AS (20 %) and Petero AS (20 %). In PL 616 North Energy was awarded a 20 % interest with Edison International SpA Norway Branch (25 %) as operator, Concedo ASA (20 %), Norwegian Energy Company ASA (20 %) and Skagen 44 AS (15 %).

The Company entered 9 February 2012 into an agreement to sell its interest in licence 433 ("Fogelberg") for NOK 70 million to Centrica Resources (Norway). Production licence 433 contains the Fogelberg gas/condensate discovery proven in 2010. North Energy holds 12 per cent of the licence. The effective date for the transaction is 1 January 2012 and the sales amount of NOK 70 million is after tax. The sales amount is settled in cash at the time of completion. The completion, which is subject to approval by Norwegian authorities, is expected to take place in the second quarter of 2012.

The Company announced 10 February 2012 that the Company has raised NOK 150 million in gross proceeds through a private placement of 15 million new shares, each with a par value of NOK 1.00 at a price of NOK 10 per share a private placement. The Company will implement a subsequent share offering estimated to constitute up to 1.5 million new shares at NOK 10 per share. The private placement is subject to approval from Extraordinary General Meeting. The net proceeds to the Company raised in the Private Placement will provide financial resources to strengthen the Company's balance sheet and finance further growth in accordance with the Company's plan and strategy.

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 licences 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 4 sea energy.

In 2010, North Energy drilled the well PL 433 Fogelberg, which was a gas/condensate discovery in the Norwegian Sea. PL433 was sold to Centrica in February 2012 for NOK 70 million. Transaction is, as per date of this prospectus, pending governmental approval. PL 341 Stirby, also drilled in 2010, is considered a non-commercial discovery containing tight gas.

PL 530 Heilo and PL 518 Zapffe were drilled in 2011; both being classified as dry wells. PL 535 Norvarg is a gas discovery drilled in 2010. Reference is made to chapter 4 in this prospectus on further details of the Norvarg discovery. All 2011 wells were in the Barents Sea.

The drilling of well PL 450 Storebjørn commenced mid-January 2012, and is still ongoing, as per date of this prospectus.

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. In addition, North Energy has entered into “carry” arrangements where North Energy pays the sellers portion of exploration expenditure. This relates to PL 450, PL 370 and PL 385. Investments for all these commitments will be invested during 2012.

Main committed investments for 2012 will be the drilling of well PL 450 Storebjørn, PL 370 Kakelborg, PL 385 Jette and PL 498 Skagen. There are no other committed wells. An appraisal well on PL 535 Norvarg is contemplated in 2013.

North Energy has four licenses with DoD decisions in 2012; which may or may not materialize into committed investment in 2013 or later. These licenses are PL 536, PL 564, PL 526 and PL 590. The company currently targets to drill one well per quarter. Reference is made to latest company presentation, which is available on the company website www.northenergy.no/investor/presentation.

Future investments in fixed assets will be very limited and pertaining to office equipment. North Energy does not own office, 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 discovery PL 433 Fogelberg. 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 Oslo, Bergen, Stavanger, Bodø, Sandnesjøen, Tromsø, Honningsvåg and Alta. The majority of commitments stems from Alta office which has a leasing length period until 2021. Office in Alta is located at Kunnskapsparken with a size of 1,300 square meters. As per date of this prospectus, the office leases for Bodø, Sandnessjøen and Honningsvåg have been terminated. There are no plans in place for significant investments in tangible assets with 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 licence cost

North Energy holds on the balance sheet capitalized drilling expenses of NOK 376.7 million pertains mainly to the discoveries PL 433 Fogelberg, PL 535 Norvarg and to capitalized pre-drilling expenses on committed wells. PL 433 Fogelberg has been agreed sold to Centrica pending government approval of transaction with effective date 1. January 2012. PL 535 Norvarg is considered a significant gas discovery in the Barents Sea, and the license partnership is aiming for an appraisal well first half of 2013, to have a more accurate resource estimate to evaluate commerciality and development solution. Expenses before drilling on firm wells are capitalised. If a well is deemed non-commercial, all costs will be expensed.

10.9 Capital resources

Since its incorporation, the Company has raised NOK 670 million through issuing of new Shares and has per 31. December 2011 NOK 348 million of financial interest bearing debt. These funds have financed the Company's operations.

The net cash flow from operations was NOK -30.8 million in 2011 compared to NOK -30.7 million in 2010. The net cash flow from investing activities amounted to NOK -349.8 million compared to NOK -214.0 million in 2010, which reflects the increased drilling activity in 2011.

Future new investment in exploration will be financed partly by equity and partly by drawing on the Facility where the Company has recently successfully increased the Facility to NOK 950 million according to the build-up of tax refund from the state authorities and proceeds from the Offering.

For further reference on the tax refund facility, please see Section 9.2.

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

There has been no significant changes in the financial or trading position of the Company or the Group which has occurred since the end of 31 December 2011, except as set out in Section 10.5.7 above.

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 which 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

In Q1 2012, the Company has successfully raised NOK 150 million of new equity.

As of date of this Prospectus, in the opinion of the Company, the working capital for the Group is sufficient for the Group's present requirements.

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 the shareholders.

10.14 Capitalisation and indebtedness

Below is an overview of the Company's consolidated capitalisation and indebtedness as of 31 December 2011.

10.14.1 Capitalisation

Amount in thousand NOK	**31.12.2011 Unaudited**
Current debt	
Guaranteed	-
Secured*)	348,348
Unsecured	122,051
Total current debt	**470,399**
Non-current debt	
Guaranteed	-
Secured	-
Unsecured	220,991
Total non-current debt	**220,991**
Shareholders' equity	
Share Capital	25,224
Legal Reserve	635,712
Other Reserve	-291,159
Total shareholders' equity	**369,777**

*) Reference is made to chapter 9.2 for details on secured current debt.

Current debt consists of secured interest bearing debt from the Facility of MNOK 348.3 million and NOK 122.1 million in unsecured debt in trade creditors. The trade creditors pertain mainly to license cost occurred but not yet invoiced or paid.

Unsecured non-current debt of NOK 221.0 million consists of pension liabilities of NOK 18.8 million and deferred tax of NOK 202.2 million.

Since 31 December 2011 North Energy has drawn in total NOK 155 million on the Facility. Following this change, the secured non-current debt has increased from NOK 0 million to NOK 155.0 million and the total non-current debt has increased from NOK 220.991 million to NOK 375.991 million.

The company has sold its Fogelberg discovery for NOK 70 million subjected to government approval. Settlement of the transaction is expected second quarter 2012. In addition, the Company has successfully raised NOK 150 million of new equity in February 2012.

10.14.2 Indebtedness

Amount in thousand NOK	**31.12.2011 Unaudited**
A. Cash	34,206
B. Cash equivalents	
C. Trading securities	0
D. Liquidity (A+B+C)	**34,206**
E. Current financial receivable	**608,404**
F. Current bank debt	348,348
G. Current portion of non-current debt	122,051
H. Other current financial debt	
I. Current financial debt (F+G+H)	**470,399**
J. Net current financial indebtedness (I-E-D)	**(172,211)**
K. Non-current bank loans	0
L. Bonds issued	0
M. Other non-current loans	0
N. Non-current financial indebtedness (K+L+M)	**0**
O. Net financial indebtedness (J+N)	**(172,211)**

Since 31 December 2011 North Energy has drawn in total NOK 155 million on the Facility. The company has sold its Fogelberg discovery for NOK 70 million subject to government approval. Settlement of the transaction is expected second quarter 2012. In addition, the Company has successfully raised NOK 150 million of new equity in February 2012.

Following the drawdown of NOK 155 million of non current secured debt, the cash balance will increase to NOK 189.206 million. This will increase the liquidity (A+B+C) from NOK 34.206 million to NOK 189.206 million. When considering the private placement of NOK 150 million, the cash balance will increase further from NOK 189.206 million to NOK 344.206 million (D). When considering this change, the Net current financial indebtedness (J) will improve from NOK (172.211) million to NOK (477.211) million. The drawdown of NOK 155,0 million will increase the non-current bank loans from NOK 0 million to NOK 155.0 million, and increase the Non –current financial indebtedness (N) from NOK 0 million to NOK 155.0 million. Following these changes the Net financial indebtedness (O) will improve from NOK (172.211) million to NOK (322.211) million, an improvement which represent the additional capital of NOK 150 million raised in the private placement.

10.14.3 Treasury policy

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, but keep minimum cash balance of NOK 15 million at the end of every quarter in 2012. 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 not traded in financial or oil derivative instruments in the past, but the company will continuously consider interest rate swap in order to reduce its floating rate debt. The company will consider hedging its short term currency exposure in US dollar on license expenses.

The company capital strategy is to finance ongoing operations by;

- Exploration loan to bridge the tax refund to be received from government
- Sale of discoveries
- Usage of equity markets

As a pure exploration company, without any income, the ability to cover interest expenses is both limited and uncertain; therefore the company will base its interest bearing debt on the exploration loan only, 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 25,224,393, consisting of 25,224,393 Shares, each with a par value of NOK 1.00.

As at 31 December 2011 and as of 1 January 2012, the Company had an issued share capital of NOK 25,224,393, comprised by 25,224,393 Shares each with a par value of NOK 1. As at 31 December 2010 and as of 1 January 2011, the Company had an issued share capital of NOK 25,149,736, comprised by 25,149,736 Shares each with a par value of NOK 1. On 2 March 2012, the extraordinary general meeting of the Company resolved to issue 15,000,000 Shares at a Subscription price of NOK 10 per Share.

There is one class of Shares only. The Shares are equal in all respects, and each Share carries one vote at the Company's General Meeting.

11.2 Historical development of share capital

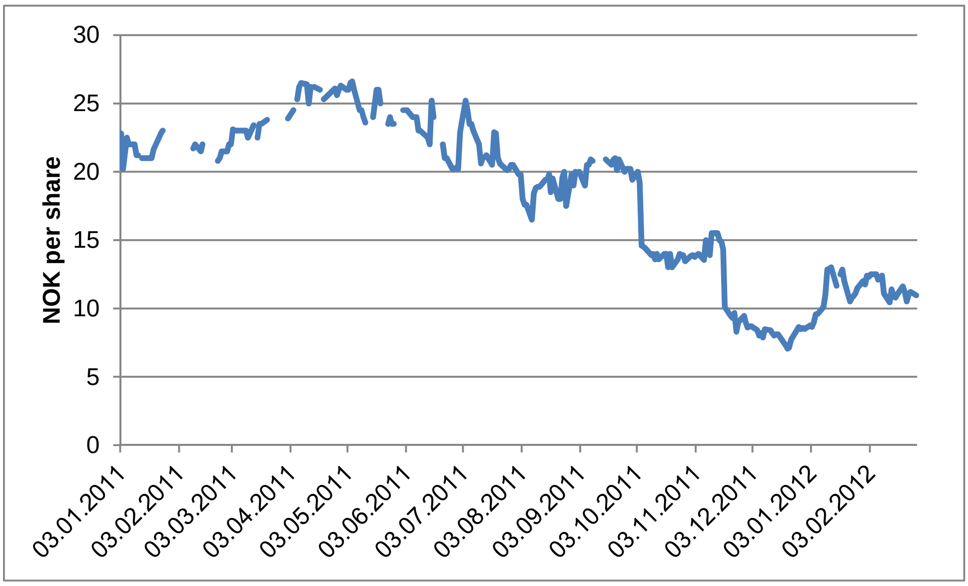
The table below shows the historical development of share capital and the number of outstanding shares in Company:

Date	Transaction/event	Gross proceeds (NOK)	Number of Shares	Price per share (NOK)	Par value (NOK)	Share capital post transaction	Number of Shares post transaction
4 Sep -07	Initial capital	1,950,000	15,000	130	100	1,500,000	15,000
2 Feb -08	Reduction of par value*				10	150,000	15,000
4 Feb -08	Issue of shares	45.000.000	180,000	250	10	1,950,000	195,000
5 Jun -08	Issue of shares	60,000,000	240,000	250	10	4,350,000	435,000
5 Jun -08	Issue of shares	181,220	18,122	10	10	4,531,220	453,122
23 Des -08	Issue of shares	48,000,000	128,000	375	10	5,811,220	581,122
8 Apr -09	Issue of shares	45,000,000	180,000	250	10	7,611,220	761,122
8 Apr -09	Issue of shares	10,580	10,858	1	10	7,719,800	771,980
12 Jun -09	Issue of shares	80,650	8,065	10	10	7,800,450	780,045
27 Jun -09	Issue of shares	52,519,500	140,052	375	10	9,200,970	920,097
Des -09	Share split		1:10		1	9,200,970	9,200,970
Feb-10	Issue of shares	320,302,824	12,086,899	26,50	1	21,287,869	21,287,869
Feb-10	Acq. of 4sea	49,999,988	1,886,792	26,50	1	23,174,661	23,174,661
Feb-10	Exercise sub.-rights	29,719,432	1,401,860	21,20	1	24,576,521	24,576,521
Aug-11	Issue of shares	647,874	647,874	1	1	25,224,393	25,224,393

* The amount of the reduction was used for sequestration to the share premium account.

All Shares issued are fully paid. There have been no amendments to the voting rights of the Shares during the time. In August 2011, Shares were issued to employees on terms described in 7.2.3.

11.3 Share price development



Source: Online Trader, 3 February 2012

11.4 Major shareholders

As of 8 February 2012, North Energy had a total of 1,224 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 its holding to the market pursuant to Norwegian securities law (for a description of the significant shareholding disclosure thresholds, see Section 11.16). As at 17 February 2012, the Company's shareholders with a notifiable interest under Norwegian law were JPB AS, Origo Kapital AS, SKS Eiendom AS, THS Partners LLP, Elliott International LP and Liverpool Limited Partnership who together with their respective affiliates, owned approximately 5 %, 5 %, 7 %, 7 % and 10 % of the Shares, respectively.

The table below shows the 20 largest shareholders in the Company as registered in the VPS on 31 January 2011.

	Shareholder	Number of Shares	%
1	EUROCLEAR BANK S.A./N.V. ('BA')	2,361,900	9.36%
2	SKS EIENDOM AS	1,824,920	7.23%
3	JPB AS	1,370,000	5.43%
4	ORIGO KAPITAL AS	1,343,569	5.33%
5	OM HOLDING AS	933,808	3.70%
6	ONSHORE GROUP NORDLAND AS	933,340	3.70%
7	BANK OF NEW YORK MELLON SA/NV	753,779	2.99%
8	KAPNORD FOND AS	640,000	2.54%
9	THE NORTHERN TRUST CO.	566,420	2.25%
10	IKM INDUSTRI-INVEST AS	545,648	2.16%
11	NINERIK AS	516,735	2.05%
12	HSBC BANK PLC	500,000	1.98%
13	GOLDMAN SACHS & CO - EQUITY	478,948	1.90%
14	CACEIS BANK FRANCE	478,350	1.90%
15	THE NORTHERN TRUST CO	438,717	1.74%
16	SVITHUN FINANS AS	431,958	1.71%
17	LEONHARD NILSEN & SØNNER AS	431,210	1.71%
18	STATE STREET BANK & TRUST CO.	426,127	1.69%
19	ALTA KRAFTLAG A/L	400,230	1.59%
20	HELGELAND VEKST A.S	315,000	1.25%
	Total 20 largest shareholders	15,690,659	62.20%
	Other shareholders	703,200	37.80%
	Total shareholding	25,224,393	100.00%

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 9 %. As of the date of this Prospectus, to the knowledge of the Company, there are no arrangements or agreements, which may at a subsequent date 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.

11.5 Authorisations and resolutions to issue new shares

11.5.1 Authorisation to the board to issue Shares

In the ordinary general meeting held on 11 May 2011, the Board was granted an authorisation to issue up to 10 % new Shares. The authorisation included the following:

1. Pursuant to Section 10-14 of the Public Limited Companies Act the board is granted an authorisation to increase the company’s share capital with up to NOK 2,514,973 by issuing up to 2,514,973 shares with a nominal value of NOK 1.

2. The authorisation is valid until ordinary general meeting 2012, however 30 June 2012 at the latest.
3. The shareholders pre-emption right to the new shares pursuant to Section 10-4 of the Public Limited Companies Act may be deviated from.
4. The authorisation comprises also capital increases against non-cash contributions.

11.6 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.

11.7 Shareholders' agreement

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

11.8 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.

11.9 General Meetings

In accordance with Norwegian law, the ordinary General Meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that for companies listed on a regulated market, written notice of General Meetings setting forth the time, date and agenda of the meeting 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. Shareholders who are registered in the register of shareholders maintained by the VPS as of the date of the General Meeting, or have otherwise reported and documented ownership to shares of the Company, are entitled to admission, without any requirement of pre-registration unless otherwise stipulated in the articles (the Company's articles do not include such provisions).

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.

11.10 Voting rights - amendments to the articles of association

All of the Shares have an equal right to vote at General Meetings. 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 requires additional conditions than is 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. The nominee cannot exercise voting rights on behalf of the shareholder, unless authorized by a proxy. There are no quorum requirements at General Meetings.

11.11 Additional issuances and preferential rights

If the Company issues any new Shares, its articles of association must be amended. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new shares that are issued. 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 when the authorization is registered.

Under Norwegian law, bonus shares may be issued, subject to shareholder approval, by transfer from the Company's distributable equity or from its share premium reserve. Any bonus issues may be affected either by issuing shares or by increasing the par value of the shares outstanding. 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.

11.12 Minority rights

Norwegian law contains a number of protections for minority shareholders, including, but not limited to, those described in this and preceding 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 unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the company itself. In certain 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.

11.13 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. 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.

11.14 Compulsory acquisition

If a shareholder, directly or via subsidiaries, acquires shares representing more than 90 % of the total number of issued shares as well as more than 90 % 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 immediately becomes the owner of all the shares. The majority shareholder have to offer the minority shareholders a specific price per share, the determination of which price would be at the discretion of the majority shareholder. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified deadline of not less than two months' duration, request that the price be set by the Norwegian courts.

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.

11.15 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 the 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 4-2 of the STA also applies in respect of primary capital certificates and rights to primary capital certificates.

11.16 Insider trading

According to Norwegian law, subscription for, purchase of, sale of or exchange of shares which are listed or in respect of which an application for listing has been submitted, or incitement to such dispositions, 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. The same applies to entry into, purchase, sale or exchange of options or futures/forward contracts or equivalent rights connected with such shares or incitement to such dispositions.

11.17 Rights of redemption and repurchase of Shares

The share capital may be reduced by reducing the par value of the shares or by cancelling the issued shares. Such a decision requires the approval of two-thirds of the votes cast at a General Meeting. Redemption of individual shares requires the consent of the holders of the shares to be redeemed.

A Norwegian 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. 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 18 months.

11.18 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 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 at least one month prior to the shareholders' meeting.

11.19 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 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.

11.20 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.

11.21 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 at the meeting. After the Offering the shares rank equally in the event of a return on capital by the Company upon a winding-up or otherwise.

11.22 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.

11.23 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.

11.24 The Board

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 Company shall have a nomination committee. The nomination committee consists of the chairman of the Board and two members elected by the General Meeting. 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.

12 THE OFFERING AND LISTING OF OFFER SHARES

12.1 The purpose of the Private Placement and the Offering and use of proceeds

The Company decided to conduct the Private Placement and the Offering in order to strengthen its financial position. The net proceeds resulting from the share capital increase will be used to finance operating costs and to secure funding of its ongoing exploration program and new wells.

The capital expenditure in connection with the exploration and drilling program of the Company is described in Section 10.6.2.

12.2 The Private Placement

12.2.1 Overview of the Private Placement

North Energy and the Managers invited certain existing shareholders as well as certain new institutional and professional investors to participate in a book-building process in the Private Placement. On 9 February 2012, after the close of trade on Oslo Børs, the Company completed such book-building process for the issuance of 15,000,000 Placement Shares at a Subscription Price of NOK 10 per Share in the Private Placement resulting in total gross proceeds of NOK 150 million. The subscription in the Private Placement was conditional upon approval of the Private Placement by the extraordinary general meeting of the Company 2 March 2012.

None of the subscribers in the Private Placement were allocated Private Placement Shares which resulted in their shareholding passing the 5 % ownership threshold. JPB AS, a company owned 60 % by primary insider Johan Petter Barlindhaug, who is Chairman of the Board of Directors of North Energy, received allocation of 1,000,000 new shares. JPB AS will following the Private Placement hold 2,370,000 shares in North Energy. SKS Eiendom AS, of which Leif Finsveen is the Chairman of the Board, was allocated 550,000 new shares in the Private Placement. Leif Finsveen is primary insider and Board Member of North Energy. SKS Eiendom AS will following the Private Placement hold 2,374,920 shares in North Energy.

Existing shareholders of the Company as of 9 February 2012 who as at the same date holds 50,000 shares or less, and who did not participate in the Private Placement and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action will be invited to participate in the Subsequent Share Offering. The subscription price in the Offering will be the same as in the Private Placement.

The percentage of immediate dilution resulting from the Private Placement for North Energy's shareholders is approximately 37.3 %.

The Company announced the result of the book-building on 10 February 2012, and on the same date issued notice of an extraordinary general meeting that was held on 2 March 2012. On that date, the extraordinary general meeting resolved to issue Placement Shares in the Private Placement and to complete the Offering, under which the Eligible Shareholders as of 9 February 2012, i.e. the time of the Private Placement, are invited to participate.

The extraordinary general meeting on 2 March 2012 passed the following resolution to increase the Company's share capital in relation to the Private Placement:

"The Company's share capital is increased pursuant to the Norwegian Public Limited Companies Act section 10-1 on the following conditions:

a) The share capital is increased with NOK 15 000 000 through an issue of 15 000 000 new shares.

b) The nominal value of the shares is NOK 1.00.

c) The share consideration is NOK 10 per share, of which NOK 9 per share is premium, with a total subscription amount of NOK 150 000 000.

d) Subscription shall be made on a separate subscription form no later than 5 March 2012. The shares may be subscribed by DNB Markets or Pareto Securities on behalf of the investors included in annex 1 to the minutes from the general meeting.

e) The pre-emptive right for subscription of shares for existing shareholders pursuant to the Public Limited Companies Act is set aside.

f) Payment for new shares shall be made in cash to a separate subscription account with no 1503.14.90372 at DNB within 5 March 2012.

g) The new shares entitle the shareholders to full shareholder rights, including dividends, from the time of the registration of the share capital increase in the Norwegian Register of Business Enterprises.

h) The articles of association are amended to reflect the share capital and total number of shares after the share capital increase."

The pre-emptive rights for subscription of shares for the existing shareholders pursuant to the Norwegian Public Limited Companies Act Section 10-4 were set aside as the Private Placement was directed to certain existing shareholders of the Company as well as certain new institutional and professional investors. The pre-emptive rights for subscription of shares for the existing shareholders pursuant to the Norwegian Public Limited Companies Act Section 10-4 were set aside as the Private Placement aimed at broadening the Company's shareholder base to increase the liquidity of the Company's share and to secure the funding of the Company. Hence, the Private Placement was directed at investors subscribing for shares with a value equivalent to EUR 50,000 or more and investors subject to applicable exemptions from relevant prospectus requirement. The chosen transaction structure, including the waiver of the pre-emption rights of the existing shareholders, was evaluated to be the most appropriate to achieve the objectives for the Company.

In order to facilitate the principle of equal treatment of the Company's shareholders, the Board proposed to conduct a subsequent repair offering directed at the Company's shareholders as of 9 February 2012 that at the time of the Private Placement had an ownership share of 50,000 shares or less and who did not participate in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action. The Eligible Shareholders being invited to participate in the Offering are offered to subscribe for shares at the same price as those in the Private Placement. In order to ensure the purpose of the share capital increase the shareholders' pre-emptive rights to subscribe for new shares were set aside for the benefit of the investors in the Private Placement.

12.2.2 The Placement Shares

The Placement Shares are expected to be issued on or about 7 March 2012, subject to timely payment, and will be listed on Oslo Axess on or about the same day. The Placement Shares are expected to be delivered to the purchasers' VPS accounts on or about 7 March 2012.

The Company and the Managers reserve the right to have the Managers advance the payment on behalf of subscribers who have not made timely payment of the Placement Shares. To the extent such advanced payment is made, the Company and the Managers reserve the right to sell or assume ownership of the Placement Shares on the fourth day after the payment date without further notice to the subscriber in question in accordance with Section 10-12 (4) of the Norwegian Public Limited Companies Act. The subscriber will be liable for any loss, cost and expenses suffered or incurred by the Company and/or the Managers as a result of or in connection with such disposals. The subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued (and will not be entitled to profits, if any), and the Company and/or the Managers may enforce payment for any such amount outstanding within the frames of applicable Norwegian law.

The Placement Shares will in all respects carry full shareholder rights equal to the existing ordinary Shares of the Company from the date the share capital increase is registered in the Norwegian Register of Business Enterprises, provided, however, that they shall give right to dividend declared after the date the share capital increase has been registered in the Register of Business Enterprises. For a description of rights attaching to Shares in the Company, see Section 11 "Share Capital and Shareholder Matters" of this Prospectus.

12.3 The Offering

12.3.1 Overview of the Offering

Existing shareholders of the Company with a shareholding of 50,000 shares or less at 9 February 2012 and who did not participate in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action, are eligible to subscribe for Shares in the Offering and to receive non-transferable Subscription Rights in the Offering ("Eligible Shareholders"). Notice of the Offering will be distributed to the Eligible Shareholders in writing.

The Offering comprises up to 1,500,000 Offer Shares, each with nominal value of NOK 1.00, at a Subscription Price of NOK 10 per Offer Share. The Eligible Shareholders will receive rights to subscribe and to be allocated Offer Shares in the Offering.

The timetable set out below provides certain indicative key dates for the Subsequent Offering:

Last day of trading in the Shares including Subscription Rights............................	9 February 2012
Record Date	9 February 2012
First day of trading in the Shares excluding Subscription Rights...........................	10 February 2012
Subscription Period commences	6 March 2012
Subscription Period ends..	At 9:00 CET 19 March 2012

Allocation of the Offer Shares	19 March 2012
Distribution of allocation letters..	20 March 2012
Payment Date	22 March 2012
Delivery of the Offering Shares	On or about 27 March 2012
Listing and commencement of trading in the Offer Shares on the Oslo Axess	On or about 27 March 2012

12.3.2 Increase of share capital in connection with the Offering

The following resolution to increase the Company's share capital in connection to the Offering was passed by the extraordinary general meeting held on 2 March 2012:

"The Company's share capital is increased pursuant to the Norwegian Public Limited Companies Act section 10-1 on the following conditions:

a) The share capital is increased by minimum NOK 1 and maximum NOK 1 500 000 by issue of minimum 1 share and maximum 1 500 000 shares.

b) The nominal value is NOK 1.00 per share.

c) The subscription price shall be NOK 10 per share, of which NOK 9 per share is premium, with a total subscription amount of minimum NOK 10 and maximum NOK 15 000 000.

d) The Company's shareholders per 9 February 2012, except holders of more than 50,000 shares, shareholders who participated in the Private Placement, and shareholders resident in a jurisdiction where such offering would be unlawful, of jurisdictions other than Norway, would require any filing, registration or similar action, may subscribe in the offering. Shareholders' pre-emptive rights to subscribe for the new shares pursuant to the Norwegian Public Limited Companies Act section 10-4 are set aside.

Subscription above the level following from the principles of preferential right is permitted for shareholders who are eligible to participate in the offering. The board will allocate shares based on the following allocation criteria:

i. Shares shall be allocated on the basis of the shareholder's preferential rights per shareholding per 9 February 2012; and

ii. In the event that not all preferential rights are used and the offering is over-subscribed, holders of preferential rights who have subscribed for more shares than such rights, shall have preferential rights to allocation of unsubscribed shares in accordance with the principles of Section 10-4 (3) of the Norwegian Public Companies Act.

Non- transferable subscription rights will be issued.

e) The subscription period shall be from 6 March until 19 March 2012.

f) When subscribing for shares, each subscriber must, through its signature on the subscription form give DNB Bank ASA and Pareto Securities AS (the "Managers") a one-time authority to debit a stated Norwegian bank account for an amount equal to the number of shares subscribed multiplied with the subscription price of NOK 10. Upon allocation, the Managers will debit the stated bank account for an amount equal to the number of shares allocated to the subscriber multiplied with the subscription price. The account will be debited on or about 22 March 2012. Subscribers who do not have a bank account in Norway or is otherwise unable to grant such authorisation must contact the Managers to arrange for payment by other means as the Managers may instruct. Such payment must be made no later than 22 March 2012.

g) The new shares entitle the shareholders to full shareholder rights, including dividends, from the time of the registration of the share capital increase in the Norwegian Register of Business Enterprises.

h) The articles of association are amended to reflect the share capital and total number of shares after the share capital increase."

12.3.3 The Subscription Period

The Subscription Period for the Offering commences on 6 March 2012 and expires at 09:00 (CET) on 19 March 2012 and may not be closed prior to this or extended by the Company.

12.3.4 Subscription price

The Subscription Price in the Offering has been set at NOK 10 per Offer Share, which is identical to the Subscription Price per Placement Share in the Private Placement. No expenses or taxes are charged to the subscribers in the Offering by the Company or the Managers.

12.3.5 Subscription Rights

In accordance with resolution passed by the extraordinary general meeting on 2 March 2012, Eligible Shareholders will be allocated Subscription Rights in proportion to their shareholding in the Company as of 9 February 2012. In assessing Eligible Shareholders, the Company will rely on its registered shareholders in the VPS as of 14 February 2012 as evidence of ownership of Shares.

The Company will issue one Subscription Right per one Share held in the Company as of 9 February 2012 by the Eligible Shareholder.

Each Subscription Right grants the owner the right to subscribe for and be allocated 0.46313 Offer Share. The number of Shares issued to each Eligible Shareholder will be rounded down to the nearest whole number of Shares. Oversubscription and subscription without Subscription Rights is permitted by Eligible Shareholders.

The Subscription Rights will be issued and registered in the VPS under ISIN NO 001 0637465 from 6 March 2012 to 09:00 (CET) on 19 March 2012. The Subscription Rights will be non-tradable and non-transferable. The Subscription Rights will be delivered free of charge and the recipient will not be debited any charges.

The Subscription Rights may be used to subscribe for Offer Shares in the Offering by the end of Subscription Period. Save as set out below with respect to Eligible Shareholders resident in countries with legislation that forbids or restricts subscription for Offer Shares in the Offering, Subscription Rights are non-transferrable. Subscription Rights not used to subscribe for Offer Shares before the expiry of the Subscription Period will lapse without compensation to the holder, and consequently be of no value.

Eligible Shareholders resident in countries with legislation that forbids or restricts subscription for Offer Shares in the Offering will not receive the Prospectus or the Subscription Form. The Subscription Rights will initially be transferred to the VPS account of such Eligible Shareholders.

12.3.6 The subscription procedure

The subscription offices for subscriptions in the Offering are as follows:

DNB Bank ASA	Pareto Securities
Registrar Department	Dronning Maudsgate 3
NO-0021 Oslo	NO-0114 Oslo
Norway	Norway
Fax: +47 22 48 29 80	Fax: +47 22 87 87 10

The Subscription Forms must be received by the Managers prior to the expiry of the Subscription Period. The subscriber is responsible for the correctness of the information filled in on the Subscription Form. Subscription Forms that are incomplete or incorrectly completed, or that are received after the end of the Subscription Period, and any subscription that may be unlawful, may be disregarded, at the discretion of the Managers on behalf of the Company. Neither the Company nor the Managers may be held responsible for delays in the mail system or for Subscription Forms forwarded by facsimile that are not received in time by the Managers, internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by the Managers. It is not sufficient for the Subscription Form to be postmarked, delivered to the mail service or similar within the deadline.

Multiple subscriptions (i.e. subscriptions on more than one Subscription Form) within the Subscription Period are allowed. Please note, however, that each Subscription Form will only be counted once (e.g. if the same Subscription Form is received by fax more than once, or if it is received by both fax and mail, it only counts as one subscription). Two separate Subscription Forms submitted by the same subscriber with the same amount of Offer Shares subscribed for on both forms will only be counted once unless otherwise is explicitly stated on the Subscription Form.

Oversubscription is permitted for Eligible Shareholders.

Norwegian citizens may subscribe for Offer Shares by following the links www.dnb.no/emisjoner or www.paretosec.no, which will redirect the subscriber to the VPS online subscription system. In order to use the online subscription system, the subscriber must have, or obtain, a VPS account number. All online subscribers must verify that they are Norwegian citizens by entering their national identity number (Norwegian: "personnummer"). Neither the Manager nor the Company assumes any responsibility for failure to subscribe or inability to subscribe for Offer Shares due to technical or internet problems.

The Managers may at their sole discretion refuse any improperly completed, delivered or executed Subscription Forms or any subscription that may be unlawful.

The subscription for Offer Shares is irrevocable and may not be withdrawn, cancelled or modified once it has been received by the Manager.

Subscriptions will be treated equally regardless of what Manager the Subscription Form is sent.

12.3.7 Allocation of Offer Shares

The board will allocate the Offer Shares. The allocation of Offer Shares will be made applying the following criteria:

i. Offer Shares shall be allocated on the basis of used Subscription Rights; and
ii. In the event that not all Subscription Rights are used and the Offering is over-subscribed, Eligible Shareholders who have Subscription Rights and have subscribed for more Offer Shares than the held Subscription Rights, shall have preferential rights to allocation of unsubscribed Offer Shares in accordance with the principles of Section 10-4 (3) of the Norwegian Public Companies Act.

The allocation of Offer Shares will take place after the expiry of the Subscription Period on or about 19 March 2012 and notifications of allocation will be issued by post on or about 20 March 2012. The Board reserves the right to round off, regulate or in another way reject or reduce any subscription not covered by Subscription Rights (ref. item (i) above).

The Company will publish information with regard to the number of Shares subscribed for in the Offering on or about 19 March 2012 through the information system of Oslo Børs at www.newsweb.no under the Company's ticker NORTH.

12.3.8 Payment for the allocated Offer Shares

The payment for the Offer Shares falls due on 22 March 2012 (the "Payment Date"). There must be sufficient funds in the stated bank account from and including 20 March 2012.

Subscribers having a Norwegian bank account

Each subscriber with a Norwegian bank account must, and will by signing the Subscription Form, give the Managers a one-time irrevocable authorisation to debit a specified bank account for the amount payable for the number of Offer Shares the subscriber may be allocated. The specified bank account is expected to be debited on or about the Payment Date.

By signing the Subscription Form, the subscriber authorises the Managers to debit the bank account specified by the subscriber for payment of the allocated Offer Shares. The Managers are only authorised to debit each account once, but reserves the right to make up to three debit attempts. As the debiting takes place ahead in time, the authorisation will be in force for a period of up to seven working days after the Payment Date, through 30 March 2012. The Managers reserve the right to consider the payment overdue if there are not sufficient funds to cover payment for the Offer Shares allocated on the account when an attempt to debit the account is made by the Managers on or after the Payment Date, or if it for other reasons is not possible to debit the bank account. The subscriber furthermore authorises the Managers to obtain confirmation from the subscriber's bank that the subscriber has disposal over the stated account as well as a confirmation that there are sufficient funds in the account to cover the payment. Payment by direct debiting is only available for investors that are allocated Offer Shares for an amount below NOK 5 million. By signing the Subscription Form, subscribers who subscribe for an amount exceeding NOK 5 million give the Managers an authorisation to manually debit the stated bank account on or about the Payment Date.

Payment by direct debiting is a service provided by cooperating banks in Norway. In the relationship between the payer and the payer's bank, the following standard terms and conditions apply:

i. The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.
ii. Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information is given by other appropriate manner. The bank will charge the indicated account for incurred costs.
iii. The authorisation for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank who in turn will charge the payers bank account.
iv. In case of withdrawal of the authorisation for direct debiting, the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act, the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.
v. The payer cannot authorise for payment a higher amount than the funds available at the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account

is being charged. If the account has been charged with an amount higher than the funds available, the difference shall be covered by the payer immediately.

vi. The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorisation for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorisation has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.

If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

Subscribers not having a Norwegian bank account

Subscribers who do not have a Norwegian bank account established must ensure that payment with cleared funds for the Offer Shares allocated is made on or before 21 March 2012. Prior to any such payment being made, the subscriber must contact DNB Bank ASA, Registrar Department, telephone number + 47 22 48 35 86 for further details and instructions.

12.3.9 Overdue payments

Overdue and late payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment, currently 8.75 % per annum. If the subscriber fails to comply with the terms of payment, the Offer Shares will not be delivered to the subscriber. The Company and the Managers reserve the right to have the Managers advance the payment on behalf of subscribers who have not made payment of the Offer Shares within the Payment Date. To the extent such advanced payment is made, the Company and the Managers reserve the right to sell or assume ownership of the Offer Shares on the fourth day after the Payment Date without further notice to the subscriber in question in accordance with Section 10-12 (4) of the Norwegian Public Limited Companies Act. The subscriber will be liable for any loss, cost and expenses suffered or incurred by the Company and/or the Managers as a result of or in connection with such disposals. The subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued (and will not be entitled to profits, if any), and the Company and/or the Managers may enforce payment for any such amount outstanding within the frames of applicable Norwegian law.

12.3.10 Delivery and trading of the Offer Shares

Following timely and sufficient payment of Offer Shares subscribed in the Offering, the Company will register the share capital increase in the Norwegian Register of Business Enterprises, which is expected to happen on or about 26 March 2012, however no later than 1 May 2012 at the latest. As soon as practically possible thereafter, the allocated and paid Offer Shares will be transferred to the subscribers' VPS accounts. The allocated Offer Shares are expected to be delivered to the subscribers' VPS account on or about 27 March 2012, provided that all subscribers have paid for the allocated shares.

The Offer Shares may not be traded before registration of the share capital increase in the Norwegian Register of Business Enterprises. The first day of trading on Oslo Axess is expected to be on or about 27 March 2012.

12.3.11 The rights conferred by the Offer Shares

The Offer Shares will in all respects carry full shareholder rights equal to the existing ordinary Shares of the Company from the date the share capital increase is registered in the Norwegian Register of Business Enterprises, provided, however, that they shall give right to dividend declared after the date the share capital increase has been registered in the Register of Business Enterprises. For a description of rights attaching to Shares in the Company, see Section 11 "Share Capital and Shareholder Matters" of this Prospectus.

12.3.12 Publication of information in respect to the Offering

In addition to press releases on the Company's website www.northenergy.no, the Company intends to use the Oslo Børs information system at www.newsweb.no to publish information in respect to the Offering. The Company will publish information with regard to the number of shares subscribed in the Offering on or about 19 March 2012.

12.3.13 Financial intermediaries

All questions concerning the timeliness, validity and form of instructions to a financial intermediary in relation to the exercise of Subscription Rights should be determined by the financial intermediary in accordance with its usual customer relations procedure or as it otherwise notifies each beneficial shareholder.

The Company is not liable for any action or failure to act by a financial intermediary through which Shares are held.

Subscription Rights

If an Eligible Shareholder holds Shares registered through a financial intermediary, the financial intermediary will customarily give the Eligible Shareholder details of the aggregate number of Subscription Rights to which it will be entitled. The relevant financial intermediary will customarily supply each Eligible Shareholder with this information in accordance with its usual customer relations procedures. Eligible Shareholders holding Shares through a financial intermediary should contact the financial intermediary if they have received no information with respect to the Offering.

Subscription Period

The time by which notification of exercise instructions for subscription of Offer Shares must validly be given to a financial intermediary may be earlier than the expiry of the Subscription Period. Such deadline will depend on the financial intermediary. Eligible Shareholders who hold their Shares through a financial intermediary should contact their financial intermediary if they are in any doubt with respect to the deadline.

Subscription

Any Eligible Shareholder who holds its Subscription Rights through a financial intermediary and wishes to exercise its Subscription Rights should instruct its financial intermediary in accordance with the instructions received from such financial intermediary. The financial intermediary will be responsible for collecting exercise instructions from the Eligible Shareholders and for informing the Managers of their exercise instructions.

Method of Payment

Any Eligible Shareholder who holds its Subscription Rights through a financial intermediary should pay the Subscription Price for the Offering Shares that are allocated to it in accordance with the instructions received from the financial intermediary. The financial intermediary must pay the Subscription Price in accordance with the instructions in the Prospectus. Payment by the financial intermediary for the Offer Shares must be made to the Managers no later than the Payment Date. Accordingly, financial intermediaries may require payment to be provided to them prior to the Payment Date.

12.4 VPS registration

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.

Like the existing Shares of the Company, the Placement Shares issued in the Private Placement as well as the Offer Shares issued in the Offering will be listed on Oslo Axess under the ticker code NORTH.

12.5 Share capital following the Private Placement and the Offering

As of the date of this Prospectus, the Company's share capital is NOK 25,224,393 divided into 25,224,393 shares, each with a nominal value of NOK 1.00. The Company's share capital is fully paid up and issued in accordance with Norwegian Law.

The share capital following the Private Placement will be increased from NOK 25,224,393 to NOK 40,224,393 divided into 40,224,393 Shares, each with a nominal value of NOK 1.00. The final number of Offer Shares to be issued in connection with the Offering will depend on the number of Offer Shares subscribed. The maximum number of Offer Shares to be issued in the Offering is 1,500,000, all with a nominal value of NOK 1.00 per Share which will give a further increase in the Company's total number of issued Shares to maximum 55,224,939 shares, or NOK 55,224,939. The Offer Shares will be issued in accordance with the resolution passed at the extraordinary general meeting held on 2 March 2012. Please see Section 11 "Share Capital and Shareholder matters" for a further description of the Company's share capital.

12.6 Proceeds and costs

The transaction costs of the Company related to the Private Placement and the Offering are estimated at approximately NOK 9 million, and accordingly the net proceeds of the Private Placement and the Offering will be from approximately NOK 141 million to approximately NOK 156 million, depending on the number of Offer Shares to be issued in the Offering.

No expenses or taxes are charged to the subscribers in the Private Placement or the Offering by the Company or the Managers. After deductions of costs associated with the Private Placement and the Offering, the premium shall be allocated to the Company's share premium reserve.

12.7 Dilution

On the basis that the share capital increase in the Private Placement has been registered in the Norwegian Register of Business Enterprises, the percentage of immediate dilution resulting from the Offering for North Energy's shareholders is expected to amount to approximately 3.6 % if all Offer Shares are issued. The percentage of immediate dilution resulting from the Offering and the Private Placement for the Company's shareholders is expected to amount to approximately 39.5 % if all Offer Shares are issued, in relation to the number of shares outstanding before the issuance of the Placement Shares in the Private Placement. The percentage of immediate dilution for shareholders participating in the Offering but not the Private Placement is expected to amount to approximately 36.0 % if all Offer Shares are issued, in relation to the number of shares outstanding after the issuance of the Placement Shares in the Private Placement.

12.8 Managers and advisors

The Private Placement and the Offering is being managed by DNB Markets, Stranden 21, NO-0021 Oslo, Norway and Pareto Securities AS, Dronning Mauds gt. 3, NO-0114 Oslo, Norway. As of the date of this Prospectus, neither DNB Bank ASA, DNB Markets nor Pareto Securities AS hold any shares in the Company. Neither DNB Markets nor employees in DNB Markets or Pareto Securities hold any shares in the Company as of the date of this Prospectus.

Advokatfirmaet Wikborg Rein is acting as the Company's legal counsel and Advokatfirmaet Thommessen as legal counsel to the Managers in connection to the Private Placement and the Offering.

12.9 Jurisdiction and governing law

This Prospectus, the Subscription Form and the terms and conditions of the Offering shall be governed by and construed in accordance with, and the Offer Shares will be issued pursuant to, Norwegian law. Any dispute arising out of, or in connection with, this Prospectus or the Offering shall be subject to the exclusive jurisdiction of Oslo District Court. The Shares are issued pursuant to the Public Limited Companies Act (allmennaksjeloven) no. 1997-06-13-45.

12.10 Interest of natural and legal persons involved in the Offering

The Company is not aware of any natural or legal person having an interest in the Offering which is material in the context of the Offering.

The Company is not aware of any intention to subscribe from major shareholders, its directors or management. The Company is not aware of other persons who intend to subscribe for more than 5 % of the Offering.

Members of the Management or Board of Directors holding 50,000 shares or less in the Company, and who did not participate in the Private Placement, will receive rights to subscribe and to be allocated Offer Shares in the Offering.

12.11 Selling and transfer restrictions

The distribution of this Prospectus and the offering and sale of the Offer Shares and the Subscription Rights offered hereby may in certain jurisdictions be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or an invitation to purchase, any of the Offer Shares or Subscription Rights offered hereby in any jurisdiction in which such offer or invitation would be unlawful. No one has taken any action that would permit a public offering of the Offer Shares to occur outside of Norway. Furthermore, the restrictions and limitations listed and described herein are not exhaustive, and other restrictions and limitations in relation to the Prospectus and/or the Offering that are not known or identified by the Company and the Manager at the date of this Prospectus may apply in various jurisdictions as they relate to the Prospectus and the Offering.

The Offer Shares and the Subscription Rights have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act) or any state securities laws, and may not be offered or sold within the United States, except in transactions exempt from the registration requirements of the US Securities Act. Furthermore, the Offer Shares and the Subscription Rights may not be offered or sold in or into Canada, Japan or Australia, or such other jurisdictions where the offering and sale of the Offer Shares and the Subscription Rights is restricted by law.

12.12 Mandatory anti-money laundering procedures

The Offering is subject to the Norwegian Money Laundering Act of 6 March 2009 no. 11 and the Norwegian Money Laundering Regulations (collectively the “Anti-Money Laundering Legislation”).

All subscribers not registered as existing customers with the Manager must verify their identity in accordance with the requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers that have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, provided the aggregate subscription price is less than NOK 100,000, unless verification of identity is requested by the Manager. The verification of identity must be completed prior to the end of the Subscription Period. Subscribers that have not completed the required verification of identity may not be allocated Offer Shares.

Further, in participating in the Offering, each subscriber must have a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian subscribers may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of a VPS account requires verification of identity before the VPS registrar in accordance with the Anti-Money Laundering Legislation.

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 28 % 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 28 %, implying that net income from shares is effectively taxed at a rate of 0.84 %.

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 28 %. 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 1.1 % 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.

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.

13.6 Inheritance Tax

When shares are transferred by way of inheritance or gift, such transfer may give rise to inheritance or gift tax in Norway if the decedent, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway, or if the shares are effectively connected with a business carried out through a permanent establishment in Norway. However, in the case of inheritance tax, if the decedent was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied if inheritance tax or a similar tax is levied by the decedent's country of residence.

Inheritance tax will be applicable to gifts if the donor is a citizen of Norway at the time the gift was given. However, for taxes paid in the donor's country of residence a credit will be given in the Norwegian gift taxes.

The basis for the computation of inheritance tax is the market value at the time the transfer takes place. The rate is progressive from 0 % to 15 %. For inheritance and gifts from parents to children, the maximum rate is 10 %.

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 Articles of Association of the Company;

ii. historical financial information for the Company's, 4 sea Energy AS' and 4 sea Energy Ltd's annual accounts for 2009 and 2010 and unaudited financial information for the year ended 31 December 2011 as derived from the 31 December 2011 interim financial information for the Company;

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 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.

14.3 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, PricewaterhouseCoopers AS as statutory auditors, and Wikborg, Rein & Co. as the Company's legal advisors. The Company has furnished the information in this Prospectus. 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. 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. 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 Offering, 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 Offer Shares regarding the legality of an investment in the Offer 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.

14.4 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 below. 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 Group:................	4sea energy and its wholly owned subsidiary 4sea energy (UK) Limited, a private limited company incorporated in the United Kingdom with registration number 06346793
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 2 March 2012.
Eligible Shareholders.............	Shareholders in the Company as of 9 February 2012, as evidenced by registration in the VPS as of 14 February 2012, who did not participate in the Private Placement and at 9 February 2012 held less than 50,000 Shares in the Company.
Facility................................	Means the Company's exploration credit facility with DNB, SEB and BNP Paribas.
Group.....................................	The Company and the 4sea energy Group
IFRS:	International Financial Reporting Standards
Investor:.................................	Legal and physical persons subscribing for Offer Shares in the Offering.
Listing:	The listing of the Shares in the Offering on Oslo Axess (including the Offer Shares and the Placement Shares).
Managers:..............................	DNB Markets, a part of DNB Bank ASA and Pareto Securities AS
Money Laundering Act:	The Money Laundering Act of 6 March 2009, No 11 ("Hvitvaskingsloven").
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
Norwegian Code of Practice for Corporate Governance:....	"The Norwegian Code of Practice for Corporate Governance", recommended by Norsk Utvalg for Eierstyring og Selskapsledelse (NUES) of 21 October 2010."
Norwegian Public Limited Companies Act:....................	The Norwegian Public Limited Companies Act of 13 June 1997, no. 45 (Nw. allmennaksjeloven).
Norwegian Securities Trading Act:.......................................	The Norwegian Securities Trading Act of 28 June 2007, no. 75 (Nw. verdipapirhandelloven).
Offer Price:...........................	NOK 10 per Share.
Offer Shares:	Up to 1,500,000 Shares in the Company to be issued in the Offering.
Offering:................................	The repair offering of minimum 1 and maximum 1,500,000 Offer Shares with rights of subscription for Eligible Shareholders.
Oslo Axess:	Oslo Axess, a regulated market place for equities operated by the Oslo Stock Exchange (Oslo Børs ASA).
Oslo Børs:.............................	Oslo Børs ASA (in English: "the Oslo Stock Exchange").
Placement Shares...................	The 15,000,000 Shares issued in the Private Placement.
Private Placement..................	Private placement of 15,000,000 Shares at NOK 10 per share conducted on 9 February 2012 and resolved by the extraordinary general meeting of the Company on 2 March 2012.
Prospectus:	This Prospectus dated 2 March 2012 appendix and documents incorporated by

	reference.
Public Limited Liabilities Act	The Norwegian Public Limited Companies Act of 13 June 1997 No 45 (‘Allmennaksjeloven’)
Register of Business Enterprises:............................	The Norwegian Register of Business Enterprises at Brønnøysund, Norway (in Norwegian: Foretaksregisteret).
Share(s):	“Shares” means all common shares in the capital of North Energy, including the Placement Shares and the Offer Shares, each with a par value of NOK 1 and “Share” means any one of them.
Subscriber:.............................	Legal and physical persons applying for Offer Shares in the Offering.
Subscription Form:................	The subscription form used to subscribe for Offer Shares attached to this Prospectus as Appendix 6.
Subscription Period................	From and including 6 March 2012 to 09:00 (CET) on 19 March 2012.
Subscription Rights:	means the Subscription Rights granted to the Eligible Shareholders, each giving the right to 0.46313 Offer Shares in the Offering.
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).

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
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.
E&P:.....................................	Exploration & production.
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
JOA:	Joint Operating Agreement.

mmboe:.................................	million barrel of oil equivalent
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.
NPD:.....................................	Norwegian Petroleum Directorate.
O.E.:	Oil Equivalent.
OSE:	Oslo Stock Exchange
PDO:.....................................	Plan for Development and Operation.
Prospect:...............................	A defined volume that has been mapped where it is probable that hydrocarbons are present.
Prospective Resources:..........	Estimated recoverable volumes of hydrocarbon in defined Prospects, not yet
PSA:	Petroleum Safety Authority Norway.
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.
Resources (sometimes referred to as Contingent Resources) :..........................	Recoverable volumes of hydrocarbons in discoveries not assumed commercial or where a PDO has not yet been decided, i.e. all discoveries not classified as Reserves.
Sm3/d:	Standard cubic meters per day.
Sm3:	Standard cubic meters.
SPE:......................................	Society of Petroleum Engineers.
YTD:	Year- to-date

Appendix 1: Articles of Association

ARTICLES OF ASSOCIATION FOR NORTH ENERGY ASA

(As amended 17 August 2011)

Section 1 Name of the company

The name of the company is North Energy ASA.

Section 2 Registered office

The company’s registered office is in Alta Municipality.

Section 3 Business operations

The company shall manage operations involving the exploration, expansion and production of oil and gas on the Norwegian continental shelf and the Russia side of the Barents Sea and own or participate in companies that manage equivalent operations, including through subsidiaries.

Section 4 Share capital

The company’s share capital is NOK 25 224 393,- divided into 9, 25 224 393shares, each with a nominal value of NOK 1.

Section 5 Management

The company’s board of directors shall consist of 3 to 9 board members pursuant to a resolution by the general meeting. The general meeting shall elect the Chairman of the Board.

The Chairman of the Board or two board members jointly may sign on behalf of the company.

The board can grant power of procuration.

Section 6 General meeting

The general meeting shall be held each year within six months after the end of each fiscal year. The summons must specifically state the issues that will be addressed. Proposed amendments to the articles of association shall be quoted verbatim in the summons. Shareholders can be represented at the general meeting by proxies with written authorisation.

The ordinary general meeting shall address and decide upon the following matters:

- Approval of the annual accounts and the annual report, including distribution of dividends.
- Any other business to be transacted at the general meeting pursuant to law or in accordance with the Articles of Association.

Documents concerning issues that shall be addressed at the general meeting, including documents that must be included in or enclosed with the summons to the general meeting pursuant to law, do not need to be sent to the shareholders if the documents are available on the company’s homepage. A shareholder can still request to be sent documents that concern matters that will be addressed at the general meeting.

The right to attend and vote at the general meeting can only be exercised when the acquisition of shares have been registered in the shareholder register on the fifth business day prior to the general meeting.

Section 7 Nomination Committee

The company shall have a nomination election committee of 3 to 5 members consisting of a chairperson and 2 to 4 members elected by the general meeting. The election committee shall work in accordance with instructions approved by the general meeting.

Section 8 Transfer of shares and the negotiability of shares

The company’s shares are freely negotiable.

Section 9 Applicability of the Public Limited Liability Companies Act

Reference is otherwise made to the Public Limited Liability Companies Act (as amended from time to time).

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(*Unofficial translation from Norwegian*) northenergy.no

Interim Report Q4 2011

Contents


Photo: North Energy

North Energy is facing an extensive drilling programme. The basis for this was laid through a continuous focus on building up exploration expertise in relevant areas. The company's operator ambitions mean that this building up of expertise will be continued in areas such as HSE. The company is prioritising learning more about operations close to shore.

North Energy focuses on dynamic portfolio management, which aims to ensure a correct balance between risk and financial exposure and the opportunities the purchase and sale of licences present.

The company has deep, solid roots in the north and follows a firm strategy to generate lasting values – both for our shareholders and the local communities in the north of Norway.

Important events Q4 2011

- The authorities approved North Energy's purchase of 15 % of PL 450 Storebjørn
- Dry well drilled on the Zapffe prospect in PL 518 in the Barents Sea
- The result for Q4 2011 was a loss of NOK 49.3 million, while net cash reserves, including tax refunds, amounted to NOK 173 million
- North Energy signed a cooperation agreement with Saint Petersburg State University – faculties for geology and economics. This forms an important part of the preparations for both the 22nd and, especially, the 23rd licensing round for the Norwegian continental shelf. North Energy wants to take advantage of the expertise of both Norwegian and Russian academia

Events after the end of the quarter

- Two prioritised blocks in TFO 2011 were awarded; PL 616 (North Sea) and PL 656 (off the coast of Nordland)
- Drilling started on 29 January in the Storebjørn oil prospect in PL 450, which is located in the southern sector of the North Sea. The well is being drilled by the Maersk Guardian rig, and results are expected towards the end of March
- The Fogelberg gas/condensate discovery in PL 433 was sold to licence operator Centrica for NOK 70 million. The sale is conditional on the approval of the Norwegian authorities, which is expected to be granted during Q2 2012
- On 9 February, the company raised NOK 150 million through a private placement with new and existing investors. North Energy issued 15 million new shares in the issue, each with a face value of NOK 1, at a price equivalent to NOK 10 per share. This provides the company with the financial resources necessary to strengthen the balance sheet and finance further growth in line with our current plans and strategies
- The company plans to carry out a subsequent share offering worth NOK 15 million for those shareholders who did not participate in the private placement
- The exploration loan limit increased from NOK 760 million to NOK 950 million. The bank consortium consists of DNB, SEB and BNP Paribas
- The blocks announced for the 22nd licensing round generated record interest from the oil industry in the north
- Gassco's strategy study 'NCS2020 – A study of future gas infrastructure' concludes that a gas pipeline from the Barents Sea could be in operation in 2020, and this is important for assessing the gas find in Norvarg (PL 535)
- A cooperation agreement was signed between North Energy and the University of Tromsø. The agreement makes North Energy an important contributor with regard to enhancing expertise within petroleum geology and prospecting in this region. The agreement will involve doctorate and master's degree students working on theses in cooperation with North Energy

Key figures

	Q4/2011	Q4/2010	Year 2011	Year 2010
Exploration costs (NOK million)	198.2	118.6	340.2	179.0
Wages (NOK million)	16.5	16.1	70.9	62.1
Operating result (NOK million)	- 227.4	- 146.6	- 458.3	- 289.2
Pre-tax result (NOK million)	- 231.7	- 143.8	- 471.8	- 284.5
Tax income (NOK million)	182.4	98.1	361.2	221.6
Result for the period (NOK million)	- 49.3	- 45.8	- 110.6	- 62.9
Total assets (NOK million)	1 061	638	1 061	638
Equity (NOK million)	370	480	370	480
Equity ratio	35 %	75 %	35 %	75 %
Interest bearing debt (NOK million)	348	0	348	0
Number of employees	51	45	48	43
Number of licences (as operator)	23 (2)	14 (1)	23 (2)	14 (1)

Financial information

North Energy is purely an exploration company. It has no income. The consolidated financial statements for North Energy comprise North Energy ASA and its wholly-owned subsidiary 4sea energy AS.

North Energy reported a loss after tax for Q4 2011 of NOK 49.3 million. This can be compared with a loss of NOK 45.8 million for Q4 2010. The change in the result can be attributed to the company's generally higher level of activity in 2011.

Exploration costs for Q4 2011 increased by NOK 79 million compared with Q4 2010, primarily due to the dry wells drilled in PL 530 Heilo and PL 518 Zapffe and purchases of seismic data that will provide a basis for future drilling decisions. The company's payroll costs for Q4 2011 were on a par with those for Q4 2010.

Total assets at the close of Q4 2011 were booked at NOK 1,061 million. Compared with Q4 2010, this represents an increase of NOK 423 million and is due to capitalised drilling costs in PL 433 Fogelberg and PL 535 Norvarg, and a receivable tax refund.

The tax refund receivables for the consolidated balance sheet as of Q4 2011 was NOK 554 million, a decrease of NOK 160 million from Q3 2011 (primarily due to a payment of NOK 347 million in December). Together with cash and cash equivalents of NOK 34 million, the deduction of net working capital of NOK 67 million and withdrawals from the exploration loan facility of NOK 348 million, the company can record a net cash reserve of NOK 173 million, compared with NOK 238 million for the previous quarter.

At the close of Q4 2011, North Energy had made withdrawals from the exploration loan facility totalling NOK 348 million.

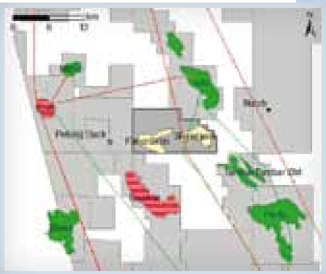
North Energy is financially strong with equity of NOK 370 million as of Q4 2011. This represents an equity ratio of 35%. Net cash flow from operations indicates consumption of NOK 202 million for Q4 2011, an increase of NOK 87 million from Q4 2010. Cash flow from investments was down from NOK 131 million in Q4 2010 to NOK 68 million in Q4 2011.

Exploration activities

North Energy continues to be an active partner on the Norwegian continental shelf. Four wells are as planned on the programme for 2012. The drilling activity in 2012 will move to the North Sea and continental shelf off the coast of Central Norway, and all drilling will be located in known hydrocarbon-rich areas closely linked to existing infrastructure. 'Drill or drop' decisions will have to be made for five of the licences in the portfolio in 2012. Applications have been submitted to extend the decision deadline for two of the licences. Drilling decisions must be made in May (PL 526) and August (PL 590) in licences operated by North Energy. Other activities in 2012 will focus on the TFO round and the 22nd licensing round for Central Norway and the Barents Sea.

Drilling

The year's first drilling project in the Storebjørn prospect in PL 450 in the southern sector of the North Sea has already started. Det Norske Oljeselskap (60 %) is the operator, with Dana (25 %) and North Energy (15 %) as partners. The prime target of the drilling is Upper Jurassic sandstone that is similar to finds in the Tambar and Ula/Gyda fields nearby. The operation is being carried out with the Maersk Guardian jack-up rig. Two new finds were made in the area in 2011. Conoco Phillips (operator) made a gas condensate find called Peking Duck in PL 301 CS, around 10 km west of Storebjørn. Centrica (operator) made an oil find in the Butch prospect in PL 405, around 10 km east of Storebjørn.



Location Storebjørn.

Jackup rig Maersk Guardian. Photo: Medvind · Bernt Sørensen

Drilling programme 2012/2013

Prospect	Licence	Share	Operator	Location	Rig
Storebjørn	PL 450	15 %	Det norske	North Sea	Maersk Guardian
Kakelborg	PL 370	10 %	Wintershall	North Sea	Transocean Arctic
Skagen	PL 498	25 %	Lotos	North Sea	Maersk Guardian
Jette	PL 385	35 %	Statoil	Norwegian Sea	N/A
Norvarg appraisal	PL 535	20 %	Total	Barents Sea	N/A
Mikkeli *	PL 590	40 %	North Energy	Norwegian Sea	N/A

** Awaiting drill or drop decision*

The next drilling operation in the Kakelborg prospect in PL 370 is expected to start in April 2012. Wintershall (40 %) is the operator, with Agora (30 %), Concedo (20 %) and North Energy (10 %) as partners. Two further wells for in which North Energy is a partner are on the programme for the summer and autumn: PL 385 Jette (operator: Statoil) on the central Norwegian continental shelf and PL 498 Skagen (operator: Lotos) in the North Sea. The 2011 discoveries in the neighbouring licence PL 127 (operator: Total) of gas and oil in the Cretaceous and Mid and Upper Jurassic is relevant for the planned drilling in PL 385. This makes us more confident of making finds in the area.

Finds

The resource estimates for both of North Energy's finds were upgraded in 2011. The Fogelberg find in Haltenbanken (PL 433) was declared commercial and is awaiting a possible transport solution. This find has now been sold to the operator Centrica, with effect from 1 January 2012 (conditional on the approval of the authorities), for NOK 70 million.

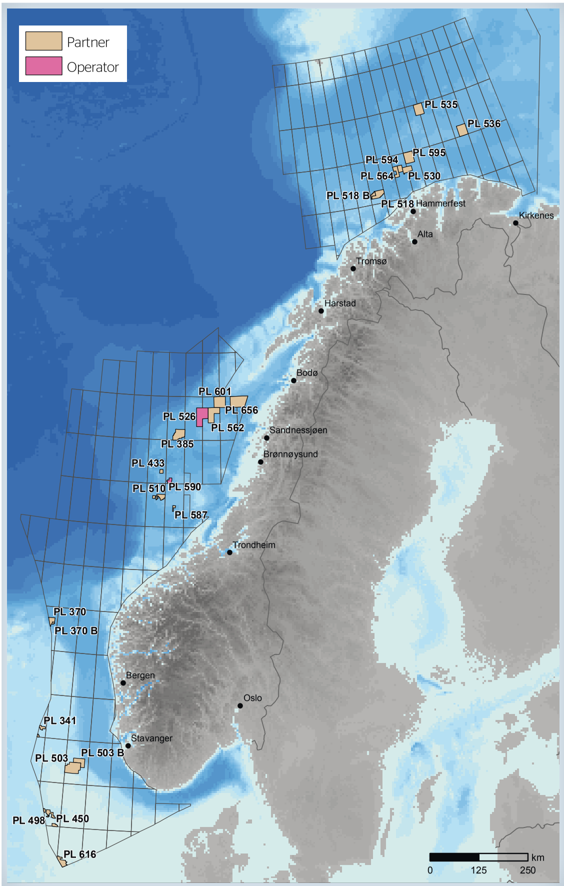
The volume estimates in the Norvarg gas find in the Barents Sea (PL 535) are being assessed on an ongoing basis. The estimates are somewhat uncertain as they are based on a single well, but the potential is great. North Energy has so far estimated the recoverable volumes at over 40 billion standard cubic metres.

A better understanding of the resource potential and productivity is expected after the first appraisal well is drilled, which is planned for first half of 2013.

TFO and 22nd licensing round 2012

Companies have been very interested in acquiring new exploration areas on the Norwegian continental shelf following the many finds that have been made in the last year. Interesting opportunities in the predefined areas (TFO) remain in all sectors of the continental shelf. At the same time, North Energy is fully focused on the 22nd licensing round and the Barents Sea especially. The company is currently evaluating areas and, as the largest oil company with its head office in Northern Norway, wants to compete for new allocations.

The license portfolio



The portfolio contains a total of 24 licences, taken into account the sale of PL 433 Fogelberg. The company is partner in eight licences in the Barents Sea. In the Norwegian Sea the company is partner in six licences and is also the operator for two production licences: PL 526 Karl and PL 590 Mikkeli. The company is partner in eight licences in the North Sea.

Human resources

The company has strengthened its staff with the recruitment of key expertise within HSEQ and Exploration. This recruitment is part of the long-term focus on building up expertise for operational activities.

There was a strong focus throughout 2011 on preparing the company for operational activities and operatorship. Besides acquiring key expertise, the company's head office in Alta moved into new, more suitable premises in Q4 2011 that fit the company's needs and plans for future growth.

Further developing HR systems and administrative routines is a high priority and necessary for further growth and the company's development.

HSE

North Energy, as part of its verification role, followed up the implementation of coastal preparedness for GdF (Heilo) and then Dong (Zapffe). The verification was carried out in October 2011. Recommendations concerning further clarification were drawn up and presented to the operator as part of this verification.

During the period North Energy concluded a project in cooperation with the Institute of Marine Research (HI) in which the purpose was to verify whether or not the Olex system and software, which are installed on most fishing vessel, can be used to measure ocean currents. These were tested against drifting buoys from HI with positive results. The report is available on the company's website. An assessment will be made about whether the positive measurements should form a basis for continuing the project, with a focus on areas impacted by any potential discharges from PL 590 Mikkeli (operator: North Energy).

The sick leave rate in Q4 2011 was 4 %. This results in an overall sick leave rate for the company for 2011 of 2.9 %. This represents an increase of 2.1 percentage points in sick leave compared with 2010.

Business development

In February, North Energy sold the Fogelberg gas/condensate find in PL 433 to the licence operator Centrica for NOK 70 million. The sale is conditional on the approval of the Norwegian authorities, which is expected to be granted during Q2 2012.

North Energy has not concluded any further purchases or sales during the period, but continuously evaluates adjustments to the portfolio.

Outlook

- North Energy is still adhering to the plan presented upon its listing in 2010
- North Energy has commenced an exciting drilling campaign this year and is continuously working on expanding the drilling programme for 2013
- North Energy is well positioned for the upcoming licensing rounds: TFO 2012 and the 22nd licensing rounds
- North Energy is also well positioned financially for upcoming exploration activities due to the raising of new capital and recent disposals of assets

Photo: North Energy / Steinar Edholm

North Energy is actively working to sustainably open up the promising exploration areas off the coast of Lofoten and Vesterålen. In order to be in a position to accept shares in the most promising licences, North Energy is actively helping to adapt technology to ensure it meets all the requirements for this environmentally sensitive area.

North Energy's ambition has, since the start, been to play a significant role in the development of the northern areas. The agreement reached between Norway and Russia on the disputed area in the Barents Sea means that this development work may start earlier than expected. North Energy will therefore continue to develop expertise and a strong position in relation to this area.

North Energy is contributing to the impact assessment process for the south-east Barents Sea (a previously disputed region).

Financial statements 4th quarter 2011

Consolidated income statement

NOK 1000	Note	4Q 2011 (unaudited)	4Q 2010 (unaudited)	Year 2011 (unaudited)	year 2010 (audited)
Payroll and related cost		-16 453	-16 116	-70 949	-62 149
Depreciation and amortisation		-2 150	-1 497	-7 179	-4 593
Exploration and license costs		-198 176	-118 646	-340 154	-179 049
Other operating expenses		-10 641	-10 370	-40 004	-43 445
Operating profit		-227 420	-146 629	-458 286	-289 236
Finance income		8 842	4 285	18 602	9 464
Finance costs		-13 171	-1 479	-32 095	-4 740
Net financial items		-4 328	2 806	-13 494	4 724
Profit before income tax		-231 748	-143 823	-471 780	-284 512
Income tax cred	11	182 399	98 062	361 223	221 596
Profit for the period		-49 349	-45 761	-110 556	-62 916
Earnings per share (NOK per share)					
- Basic		-1.96	-1.82	-4.39	-2.67
- Diluted		-1.96	-1.82	-4.39	-2.67

Consolidated income statement

NOK 1000	4Q 2011 (unaudited)	4Q 2010 (unaudited)	Year 2011 (unaudited)	year 2010 (audited)
Profit for the period	-49 349	-45 761	-110 556	-62 916
Other comprehensive income, net of tax				
Actuarial gains/ losses pension	82	-932	82	-932
Total other comprehensive income, net of tax	82	-932	82	-932
Total comprehensive income for the period	-49 267	-46 693	-110 474	-63 848

Consolidated balance sheet

NOK 1000	Note	31.12.2011 (unaudited)	31.12.2010 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		22 072	16 167
Capitalised exploration and license costs	8	376 719	128 214
Other receivables		19 765	17 528
Total non-current assets		418 556	161 909
Current assets			
Prepayments and other receivables		54 854	37 926
Tax receivable refund tax value exploration expenses	11	553 550	347 532
Financial assets	9	0	4 674
Cash and cash equivalents		34 206	86 015
Total current assets		642 610	476 147
Total assets		1 061 167	638 056
EQUITY AND LIABILITIES			
Equity			
Share capital	5	25 224	25 150
Share premium		606 141	606 141
Other paid-in capital		29 570	29 570
Retained earnings		-291 159	-180 685
Total equity		369 777	480 176
Liabilities			
Non-current liabilities			
Pension liabilities		18 766	15 346
Deferred tax	11	202 225	45 791
Total non-current liabilities		220 991	61 137
Current liabilities			
Current borrowings	10	348 348	0
Trade creditors		66 108	47 185
Other current liabilities		55 943	49 559
Total current liabilities		470 399	96 743
Total liabilities		691 390	157 880
Total equity and liabilities		1 061 167	638 056

Consolidated statement of changes in equity

NOK 1000	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2010	9 201	233 573	26 999	-116 837	152 935
Share issues	15 949	390 664	0	0	406 612
Share issue expenses (net after tax)	0	-18 095	0	0	-18 095
Share-based payment, bonus shares	0	0	2 571	0	2 571
Total compehensive income for period 01.01 - 31.12.2010	0	0	0	-63 848	-63 848
Equity at 31 December 2010	25 150	606 141	29 570	-180 685	480 176
Share issues	75	0	0	0	75
Total compehensive income for period 01.01 - 31.12.2011	0	0	0	-110 474	-110 474
Equity at 31 December 2011	25 224	606 141	29 570	-291 159	369 777

Consolidated cash flow statement

NOK 1000	4Q 2011 (unaudited)	4Q 2010 (unaudited)	Year 2011 (unaudited)	Year 2010 (audited)
Cash flow from operating activities				
Profit before income tax	-231 748	-143 823	-471 780	-284 512
Adjustments:				
Tax refunded/paid	346 132	160 727	341 251	160 727
Depreciation	2 150	1 497	7 179	4 593
Profit/loss on disposal of property, plant and equipment	-52	0	-73	0
Expensed capitalised exploration expenses	37 213	52 016	59 033	52 016
Pensions	2 978	2 052	925	2 778
Expensed share-based payment recognised in equity	0	2 571	0	2 571
Transaction costs and interest on borrowings recognised in P&L	8 294	299	20 068	1 351
Changes in current payables, receivables and other accruals	36 880	39 796	12 560	29 727
Net cash flow from operating activities	201 846	115 135	-30 837	-30 748
Cash flow from investing activities				
Purchase of property, plant and equipment	-6 691	-2 098	-13 212	-7 076
Proceeds from sale of property, plant and equipment	37	0	202	0
Purchase of intangible assets	-61 563	-129 560	-337 440	-232 372
Aquisition of subsidiary, net cash inflow	0	0	0	30 931
Changes in other non-current receivables	142	266	631	-5 520
Net cash flow from investing activities	-68 074	-131 392	-349 819	-214 038
Cash flow from financing activities				
Borrowings/repayments of borrowings	-97 827	0	352 173	-45 000
Transaction costs and interest on borrowings paid	-8 091	-299	-23 400	-1 351
Proceeds from share issues	0	0	75	331 481
Net cash flow from financing activities	-105 918	-299	328 848	285 130
Net change in cash and cash equivalents	27 854	-16 556	-51 809	40 344
Cash and cash equivivalents at beginning of the period	6 352	102 571	86 015	45 671
Cash and cash equivivalents at end of the period	34 206	86 015	34 206	86 015

Notes to the interim consolidated financial statements 4th quarter 2011

Note 1 - General and corporate information

These financial statements are the unaudited interim condensed consolidated financial statements of North Energy ASA and its subsidiary (hereafter "the Group") for 4th quarter 2011. North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office located in Alta, Finnmark. North Energy ASA's shares were listed on Oslo Axess, an exchange regulated by the Oslo Stock Exchange, on February 5, 2010.

Note 2 - Basis of preparation

The interim accounts have been prepared in accordance with IAS 34 Interim Financial Reporting and the supplementary requirements in the Norwegian Securities Trading Act (Verdipapirhandelloven). The interim accounts do not include all the information required in the annual accounts and should therefore be read in conjunction with the the annual accounts for 2010. The annual accounts for 2010 were prepared in accordance with the EU's approved IFRS.

Note 3 - Accounting policies

The accounting policies adopted in the preparation of the interim accounts are consistent with those followed in the preparation of the annual accounts for 2010.

Note 4 - Critical accounting estimates and judgements

The preparation of the interim accounts entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances.
The actual results may deviate from these estimates. The material assessments underlying the application of the company's accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2010.

Note 5 - Share capital

Number of outstanding shares at 1 January 2010	25 149 736
New shares issued during the period	74 657
Number of outstanding shares at 31 December 2011	25 224 393
Nominal value NOK per share at 31 December 2011	1
Share capital NOK at 31 December 2011	25 224 393

Note 6 - Business segments

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

Note 7 - Events after the balance sheet date

In January 2012 North Energy was awarded 2 new licenses in the APA 2011. Following this award the Group now holds a total of 25 licenses, of this 2 operatorship on the NCS.

In February 2012 the Group has expanded its exploration loan facility from NOK 760 million to NOK 950 million. Interest rate is still NIBOR + 2%.

North Energy has in February 2012 entered into an agreement to sell its 12% interest in license PL 433 (Fogelberg) for NOK 70 million (post tax) to Centrica Resources (Norway). Effective date for the transaction is 1 January 2012. The completion of the transaction is subject to approval by Norwegian authorities.

In February 2012 North Energy raised NOK 150 million in new equity through a private placement. The increase in capital was approved by the board of directors 10 February, and is subject to approval by an extraordinary shareholders' meeting on 2 March.

Note 8 - Capitalised exploration and license costs

Acquisition cost at 1 January 2011	128 214
Additions in period – capitalised exploration and license costs (*)	307 538
Disposals in period (**)	-59 033
Acquisition cost at 31 December 2011	376 719
Accumulated amortisation at 1 January 2011	0
Amortisation in period	0
Accumulated amortisation at 31 December 2011	0
Carrying amount at 31 December 2011	376 719

(*) Additions are mainly related to drilling of exploration well in license PL 535 (Norvarg), PL 530 (Heilo) and PL 518 (Zapffe), and acquisition cost of license PL 450 (Storebjørn) recognised net of tax.
(**) Disposals relate to expensed capitalised expenses in license PL 530 (Heilo) and license PL 518 (Zapffe) due to dry well result.

Note 9 - Financial assets

Financial assets include investment in money market fund. In 2011 the Group has realized this investment.

Note 10 - Current borrowings

Current borrowings include:

	31.12.2011	31.12.2010
Revolving credit facility (exploration loan), funds drawn	352 173	0
Revolving credit facility (exploration loan), transaction costs	-3 825	0
Total carrying amount borrowings	348 348	0

In February 2012 the Group has expanded its exploration loan facility from NOK 760 million to NOK 950 million. Interest rate is still NIBOR + 2%.

Note 11 - Income tax

Specification of income tax:	**Year 2011**	**Year 2010**
Calculated refund tax value of exploration costs this year	553 550	347 728
Of this refund not recognised in income statement (acquisition of licenses recognised net of tax)	-29 902	-67 258
Correction refund previous years	-6 281	-2 627
Change deferred tax in balance	-156 434	-45 791
Of this deferred tax asset not recognised in income statement (acquisition of licenses recognised net of tax)	-0	-115
Of this deferred tax asset related to items in comprehensive income recognised in comprehensive income	291	-3 304
Of this deferred tax asset related to equity transactions recognised directly in equity	0	-7 037
Total income tax credit	361 223	221 596

Specification of tax receivable refund tax value exploration expenses:	**31.12.2011**	**31.12.2010**
Calculated refund tax value of exploration costs this year	553 550	348 289
Correction refund previous years, assessed but not settled	0	-4 881
Correction refund previous years, assessed but appealed	0	4 124
Total tax receivable refund tax value exploration expenses	553 550	347 532

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

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

	31.12.2011	31.12.2010
Property, plant and equipment	4 310	4 279
Capitalised exploration and license costs	361 818	121 748
Financial assets	0	97
Pensions	-10 304	-9 752
Current borrowings	3 825	0
Tax losses carried forward, onshore	-35 645	-37 327
Tax losses carried forward, offshore only 28 % basis	-49 968	-31 308
Tax losses carried forward, offshore only 50 % basis	-887	-870
Tax losses carried forward, offshore both 28 % and 50 % basis	-95 439	-64 614
Total basis for deferred tax	177 710	-17 746
Deferred tax liability (-) / tax asset (+)	-179 753	-20 668
Not capitalised deferred tax asset (valuation allowance) (*)	-22 472	-25 124
Deferred tax liability (-) / tax asset (+) in balance	-202 225	-45 791

(*) Not capitalised deferred tax asset is mainly related to onshore tax loss carried forward and offshore tax losses carried forward in subsidiary 4sea energy AS.

Reconciliation of effective tax rate:

	Year 2011	Year 2010
Profit before tax	-471 780	-284 512
Expected income tax credit 78 %	367 988	221 919
Adjusted for tax effects (28 % - 78 %) of the following items:		
Permanent differences	-2 504	-18 298
Correction previous years	-2 046	-57
Interest on tax losses carried forward offshore	1 277	448
Finance items	-6 143	2 555
Change in valuation allowance for deferred tax assets and other items	2 652	15 028
Total income tax credit	361 223	221 596

Information about North Energy ASA

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Telephone (+47) 78 60 79 50
Home page: www.northenergy.no
Business register number:
NO 891797702 MVA

Photo: Thomas Bjørnflaten

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Leif Finsveen
Harriet Hagan
Brynjar Forbergskog
Hans Kristian Rød
Guri Helene Ingebrigtsen
Ole Njærheim
Heidi M. Petersen
Jørn Olsen (employee representative)

Management
Erik Karlstrøm, CEO
Knut Sæberg, CFO
Kristin Ingebrigtsen,
Director of Strategy and PR
Lars Tveter, HSE Manager
Erik Henriksen, Exploration Manager
Astrid Tugwell, Development Manager
Vigdis Wiik Jacobsen, Business Development and Portfolio Manager
Marion Høgmo, Manager Administration

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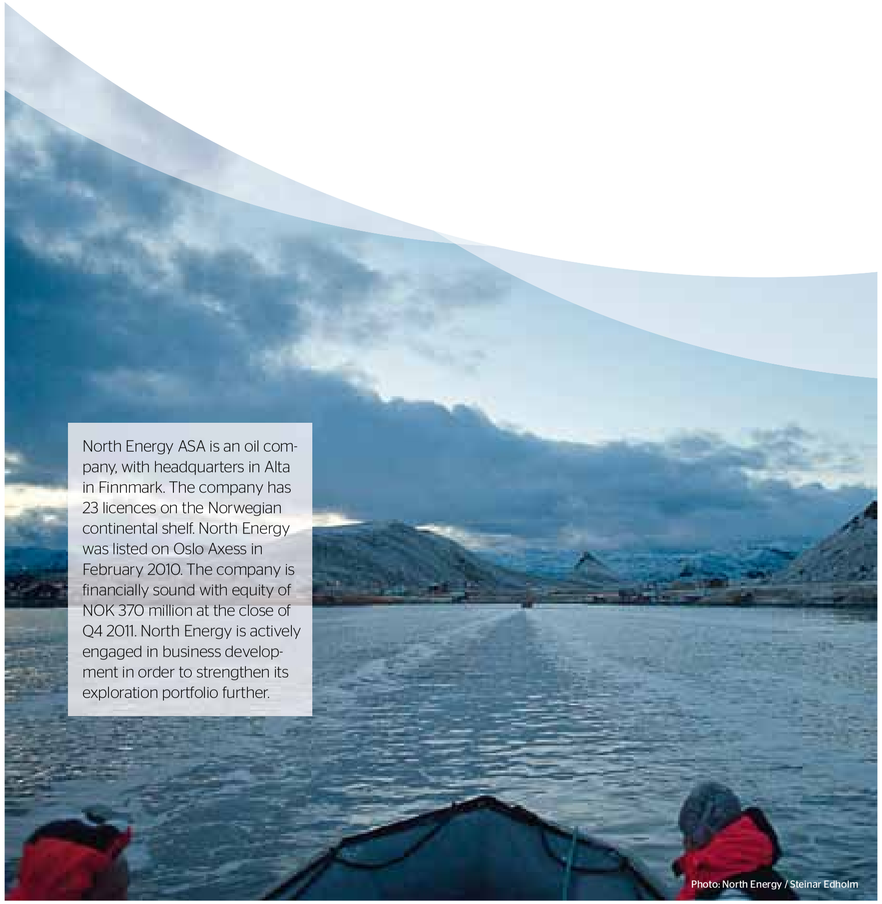


North Energy ASA is an oil company, with headquarters in Alta in Finnmark. The company has 23 licences on the Norwegian continental shelf. North Energy was listed on Oslo Axess in February 2010. The company is financially sound with equity of NOK 370 million at the close of Q4 2011. North Energy is actively engaged in business development in order to strengthen its exploration portfolio further.

Photo: North Energy / Steinar Edholm

Appendix 3: Annual report 2010 North Energy ASA

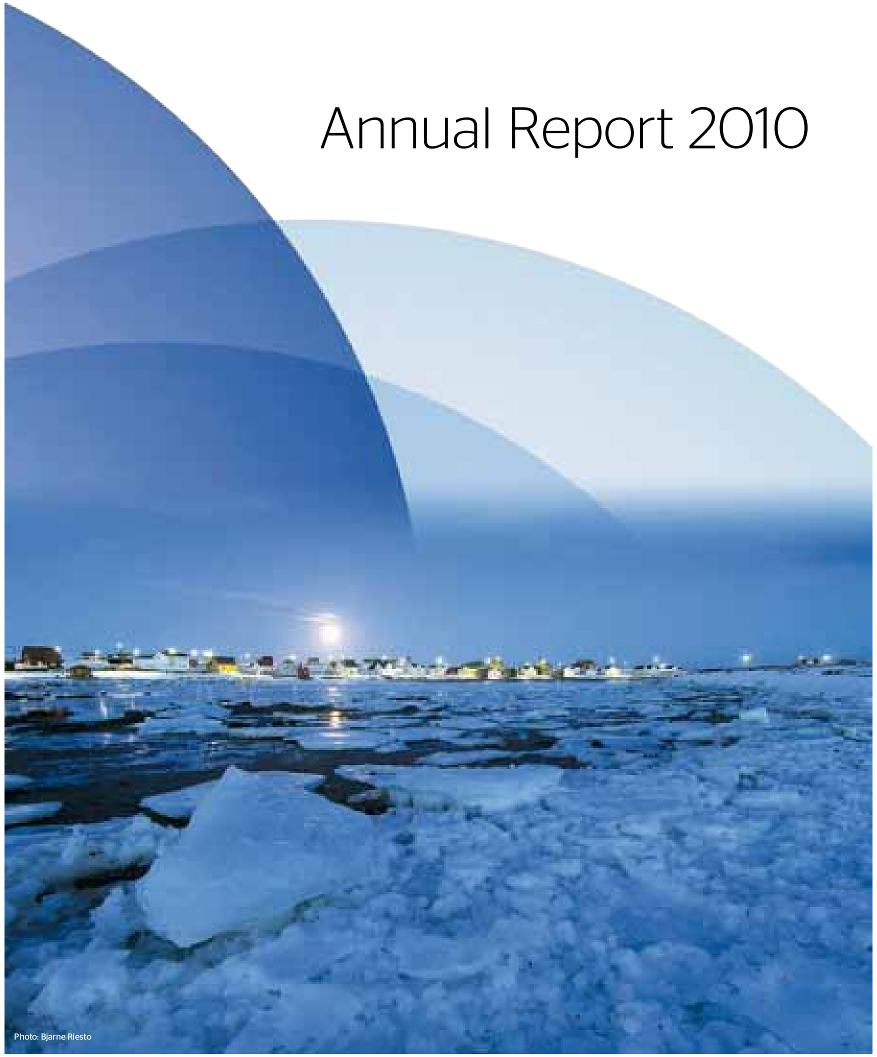


Photo: Bjarne Riesto

Content

Vision

The company's vision is to develop a leading and profitable oil and gas company that actively contributes to industrial value creation in Northern Norway.

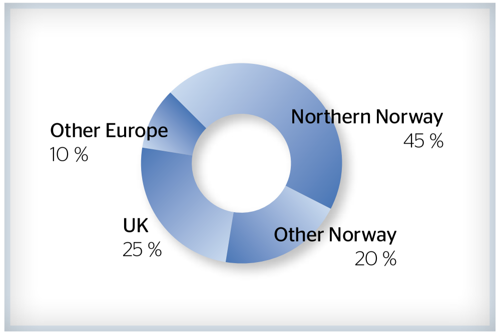
Photo: Thomas Bjørnflaten

Photo: Archive

Key figures

		2010	2009	2008	2007
Exploration costs	NOK million	- 179.049	- 113.098	- 62.789	0
Payroll costs	NOK million	- 62.149	- 62.370	- 41.696	- 0.752
Profit/loss for the year after tax	NOK million	- 62.916	- 64.417	- 39.277	- 6.879
Balance sheet total	NOK million	638.056	242.299	146.904	41.682
Working capital	NOK million	397.437	136.276	95.164	34.899
Equity ratio		75 %	63 %	77 %	96 %
Cash flow before financing	NOK million	- 246.137	- 95.638	- 129.444	- 28.139
Number of shares		25,149,736	9,200,970	581,122	15,000
Nominal value per share	NOK	1	1	10	100
Share price	NOK	22.8			
Market capitalisation	NOK million	573.4			
Employees		43	38	31	1
Licences (operatorships)		21 (2)	8 (1)	0	0

Shareholder composition



Values, goals and strategies

Our values

North Energy has four core values that characterise our activities through our actions and words:

- **To be at the forefront** – to be innovative and alternative, develop new ideas, solutions and technologies, to be the first to show the way
- **To be competent** – to possess state-of-the-art knowledge, to be a reference for others through our actions and words, to set a good example
- **To be a bridge-builder** – to bring people together, to point out the main directions, to be a preferred partner, focus and facilitate
- **To be a fearless voice in the North** – to dare to say what we think is right and speak out for the Northern Norway community

Goals and strategies

North Energy's goal is to create value for its shareholders and contribute to ripple effects onshore by participating in exploration, development and production activities off the coast of Central and Northern Norway.

The company's core activities involve the development of profitable and sustainable petroleum operations in Northern Norway, where the central focus is on facilitating local activity and ripple effects throughout the region.

North Energy's main strategies

- To establish and develop a profitable oil and gas company through the acquisition and allocation of the best licences in the northern part of the Norwegian North Sea and the Barents Sea.
- To ensure an adequate capital base to sustain the company throughout the entire value chain.
- To ensure access to profitable investment opportunities by being an attractive partner for the authorities and leading oil companies.
- To be a credible partner for important stakeholders, such as suppliers, the fishing industry and environmental groups.

The company has prospects with a high probability for discoveries located near existing infrastructure in its portfolio. In addition, the company stresses the importance of further optimisation of the portfolio through licensing rounds and buying and selling licences.

Oil and gas activities in these northern areas require a high level of oil pollution preparedness along the coast and a close dialogue with representatives from coastal communities. North Energy has contributed to the development of a special concept for these areas in cooperation with a number of entities.

North Energy has chosen to focus systematically on innovative solutions. Close contact with the supplier industry and technology environments helps the company optimise opportunities and plans for further research and development. The company develops skills that are required to make decisions along the entire value chain that characterises the petroleum industry, within a long-term and environmental perspective.

Our roots in Northern Norway make us a different kind of company. One of North Energy's strengths is the fact that it has knowledge of how different topics are perceived among the people along the coast through its local roots. The company would, therefore, like to be a discussion partner for the creation of value based on oil and gas in the North. A shared understanding of attitudes and views provides a good basis for constructive dialogue on specific activities, plans and challenges.

Photo: Thomas Bjørnflaten

Historic milestones

2007	September:	North Energy was established on the banks of the Alta River
	November:	Erik Karlstrøm takes office as the Chief Executive Officer
	2007 – 2009:	Financed by capital from Northern Norway
2008	August:	Prequalified as a licensee
	December:	Awarded two licences in the APA 2008
2009	March:	Prequalified as an operator
	April:	Awarded four licences in 20th round, including an operatorship
	2nd half of the year	Acquired two licences
	December:	Awarded three licences in the APA 2009
2010	February:	NOK 400 million in financing raised
		Listed on Oslo Axess
		Acquisition of 4sea energy
	April:	Discovery in PL 433 Fogelberg
	October:	Acquisition of PL 341 Stirby
	December:	Sub-commercial discovery of hydrocarbons in Stirby
2011	January:	Awarded five licences in the APA 2010
	February:	North Energy grows to 50 employees

Important events

Photo: Oslo Børs

Events in 2010

Successful capital increase and stock exchange listing
North Energy was listed on Oslo Axess on 5 February after a successful oversubscribed new issue of NOK 350 million.

Acquisition of 4sea energy AS
All the shares of 4sea energy AS were acquired in February.

Discovery on first attempt
Drilling in PL 433 Fogelberg started in February with North Energy as a 12 per cent partner.

Hydrocarbons were discovered in Fogelberg as early as March.

Tight formations in Stirby
North Energy acquired an 11 per cent interest in PL 341 Stirby on 29 October. One month later hydrocarbons were proven in the deeper portion of the licence. In December the discovery was declared sub-commercial due to tight formations. The opportunities in the upper portion where the licence's main reservoir is located are still under assessment.

Events to date in 2011

New exploration loan facility of NOK 760 million
In January 2011 an agreement was entered into with DnB NOR and SEB relating to an exploration loan facility of NOK 760 million, with DnB NOR leading the syndicate of banks. BNP Paribas subsequently joined the syndicate.

Licence allocations for the APA 2010 – North Energy once again among the winners
In January 2011 North Energy was awarded two licences in the Barents Sea, two licences in the Norwegian Sea and one in the North Sea. The allocation included the operatorship of PL 590 Mikkeli in the Norwegian Sea.

Acquisition of a new licence
In March 2011, the company acquired 10 per cent of PL 370 Kakelborg and increased at the same time its interest in PL 385 Jette from 15 per cent to 35 per cent.

CEO'S COMMENTS:

"We are starting in earnest now"

The year 2010 was the year when North Energy became an operative oil company and participated in the drilling of the two first wells out of a total of eight wells that represented the basis for the establishment of the company. These wells were also the background for raising capital at the start of the year.

The stock exchange listing and raising of capital in February, as well as the start of drilling at Fogelberg in the following month, represented important long-planned milestones in the development of North Energy. The company would not have looked like it does today without these events, which, like the milestones in 2008 and 2009, were reached around one year earlier than assumed in the company's first plan from 2007. After new awards and acquisitions in 2010, we now have 21 licences and are around one year ahead of our original plans.

New capital to finance the eight fixed wells, new professional investors from Norway and abroad, and a stock exchange listing, marked the end of our first phase in 2010, which made it necessary for us to look ahead towards new goals. With a higher level of activity than envisioned in 2007 as its point of departure, the Board of Directors and management team extended the company's plans beyond 2012 based on assumptions concerning new areas in the eastern Barents Sea, as well as in Lofoten and Vesterålen.

Our new strategy development work resulted in goals for value creation and growth that are more ambitious than the goals that existed during our capitalisation early in 2010. The higher level of activity also enables us to use additional resources on portfolio optimisation and the acquisition and sale of licences, including North Sea licences. During the first three years, North Energy has advanced along the value chain faster than envisioned.

Our local presence – a competitive advantage

Organisational growth throughout 2009 and 2010 followed the development of our activities through the acquisition and sale of licences from a new satellite office in Stavanger and the establishment of offices, first in Bodø, and then lastly an office in Tromsø. The decisions to establish new offices were made based on North Energy's experiences with new communication technology and the fact that the oil-related activities in Norway are in the process of spreading northwards along the coast.

Spreading out our employees and offices may be challenging organisationally and with respect to communication, but for us it represents an important competitive advantage at the same time. Recognition of the fact that the activities along the coast start up before the areas are opened is a prerequisite for being able to participate in the first wave of awards along the coast. Being first in the battle for the best blocks is one of North Energy's most important criteria for success.

Valuable dialogue

Since the establishment of the company, North Energy has sought to contribute to increasing the creation of value locally and good industrial solutions. Throughout 2010 and 2011 North Energy has focused on these efforts in relation to the fishing interests in Lofoten and Vesterålen in order to contribute expertise with respect to obtaining new knowledge and establishing a growing understanding of the shared responsibility for stewardship that lies with all the members of the business community in this vulnerable area.

It is a great challenge to work with the distribution of factual information with respect to an issue where the national and local media focus on feelings and contradictions. In this minefield, many external entities create a profile through

Photo: Thomas Bjørnflaten

continuous attempts to polarise any issues that exist between the petroleum industry and other business sectors in Lofoten and Vesterålen.

The establishment of a Dialogue Forum for fishing and petroleum in Lofoten and Vesterålen in connection with our newly established office in Bodø is an example of establishing a presence before the opening of an area. For many people in Nordland, this was their first real encounter with North Energy. Gradually as this forum developed into a workshop for new ideas among fishermen, the fishermen and their organisations also got to know an oil company that dealt with the northern regions differently than the major international companies.

The fishermen can now talk directly with decision-makers who come from the region and who will remain there during the establishment of activities. When the oil and gas activities end some time in the future, those who participated in this forum for dialogue will probably long since have entrusted the coming generations with this responsibility. The next generation is already threatening to leave the region, while we see that the northern regions will be able to supply fossil energy for at least three generations to come, before a renewable alternative has hopefully been established. It is also important to our industry that people still live here who can help preserve and build coastal communities in Lofoten and Vesterålen, as well as the coast of Finnmark whenever new activities are established.

The Øksnes requirements came from the Dialogue Forum. This can be classified as the first attempt at a proactive approach to shared stewardship of oil and fish in Lofoten and Vesterålen, which does not exist outside of Northern Norway. Attempts have long been made to make Lofoten and Vesterålen a symbol of protection against activities by centralised forces that can be carried out at no own cost in areas far far away.

Recognition of the importance of the northern regions to Norway's energy policy

What is becoming more and more obvious as time passes is the fact that Lofoten and Vesterålen will play a key role in the process towards access to the gas resources in the entire Barents Sea. Without pipelines that are financed by new discoveries off the coast of Nordland and Troms, we will be forced to use LNG (Liquefied Natural Gas) or acquire access to Russian pipelines to Europe. LNG requires larger gas deposits than pipeline access. Lofoten and Vesterålen will thus be critically important to the development of all of Northern Norway and Norway's role as a supplier of gas to Europe.

It is clearly evident from an analysis report on the northern regions that was prepared in 2010 that we are no longer talking about a sparsely populated playground for symbolic policies. The analysis was prepared by North Energy in dialogue with Gassco, Statnett and other important premise providers in the North on behalf of the Barents Secretariat and the three northernmost county authorities. This report will be presented in its entirety in 2011 and defines Lofoten and Vesterålen as a very decisive element in an energy policy perspective with clearly positive global climate consequences.

Drilling of wells and building up a portfolio

The two most important events for North Energy in 2010 were the drilling of the two first wells. In PL 433 the Fogelberg prospect was drilled with North Energy as a partner and a 12 per cent ownership interest. At the end of March 2010 the discovery of hydrocarbons in the licence was reported, and, as time has passed, all indications point towards a commercially viable field. We are currently working on the formal start-up of the Plan for Development and Operation (PDO) process. Our goal is to make a conclusion in the middle of 2011 whether work on a PDO can continue without drilling additional wells. The licence partners are working well together with the operator Centrica.

In October 2010, North Energy acquired an 11 per cent interest in PL 341 Stirby in the North Sea. Drilling had already started, and hydrocarbons were proven in the deeper portion of the well. A majority of the licence partners declared the deposit to be sub-commercial, primarily due to the tight formations. There was no consensus among the licence partners with regard to the potential or closing the well, but North Energy did not manage to obtain enough support for its view. Now we are gathering valuable experience from this event. In licences with many small co-owners it is important to find good allies with common goals and good technical expertise. In 2011 North Energy will focus more on potential cooperation and alliance partners.

PL 433 Fogelberg and PL 341 Stirby are the two first wells in licences where North Energy has acquired interests from other companies. Three other licences with wells were acquired in 2010, and two new acquisitions have already been made in 2011. Acquisitions should go hand in hand with the allocation of new licences, and five new licences and the company's second operatorship were allocated to North Energy through the APA 2010. We hit the jackpot with respect to the company's application and an evaluation of the company's expertise as an operator by the authorities. North Energy has thus 21 licences.

Good team spirit during an exciting waiting period

Being the CEO of North Energy is a challenge that consists of more than just making sure that the owners' capital is used in projects with the greatest possible potential for the creation of value at the lowest possible price and with the lowest possible risk of a loss. Anyone who is involved in exploration for oil and gas knows that the motivation that drives all of us to do our best is put to the test during a period without any exploration drilling after a disappointing result from a well.

I observe that those of us who work for North Energy are very motivated and hungry for success. For us the waiting period after the disappointing result from the well at Stirby late in 2010 has been long. It is good to ascertain then that no one is getting sick from a lack of motivation at North Energy. Our absence due to illness is far below one per cent.

We are, however, waiting impatiently for an uninterrupted series of wells that will start in April 2011. Some of these wells will also be dry, but then the owners, Board of Directors and those of us who work here will be able to look forward to the next well in the portfolio that will in time give North Energy a discovery at a lower cost than that of most of our competitors. A good organisation stands together as a team, whether they win or lose. That is the team spirit we want at North Energy, and I think we will win.

It has been exciting to be the CEO of North Energy up to now, and we have achieved many important goals – but we are starting in earnest now!

Erik Karlstrøm
Chief Executive Officer

SOCIAL RESPONSIBILITY AND ETHICS:

A responsible player on the Norwegian continental shelf

Operating responsibly and with integrity, we are committed to contributing to the positive development of our society in the North, without compromising the interests of our owners.

North Energy's Corporate Social Responsibility (CSR) will be a vital part of what we have formulated as our "Licence to Operate" on the Norwegian continental shelf.

The International Standards Organisation, ISO, has prepared an international standard for social responsibility (ISO 26000) that provides guidelines for how organisations can act in a socially responsible manner in accordance with the requirements posed by society. North Energy's guidelines for corporate social responsibility are in accordance with the recommendations in ISO 26000.

Photo: Bjarne Riesto

North Energy is committed to:

- Looking after the interests of our stakeholders: owners, employees, business associates and the various communities where we operate.
- Practising corporate governance in accordance with Norwegian company law and the Norwegian Code of Practice for Corporate Governance.
- Having practices that ensure openness, anticorruption measures and respect for human rights and standards for working life.
- Operating responsibly and with integrity, so that we contribute to a positive development of society in the North.
- Contributing to the creation of regional and national value.

How do we fulfil these commitments?

- North Energy, with its roots in Northern Norway, places a special focus on applying its northern expertise when encountering northern challenges. Hence we have a particular focus on environmental conditions in the North, which is expressed in our environmental strategy.
- We inform the public of conditions related to the industry and environment in the North.
- We identify needs, expectations, development opportunities and compensatory measures based on dialogue with our stakeholders, as well as risk and impact analyses.
- We support education and competence building within oil and gas-related subject areas in order to create lasting knowledge and competence.
- We ensure that our activities with respect to Corporate Social Responsibility (CSR) are planned in a professional manner and integrate them into our business planning.
- We follow up on the execution of CSR activities and measure the effects of the measures we undertake, both internally and externally.
- We work with promoting a diverse working environment, by recruiting and developing employees of both genders, in different living situations and with different backgrounds.

Exploration activities and portfolio

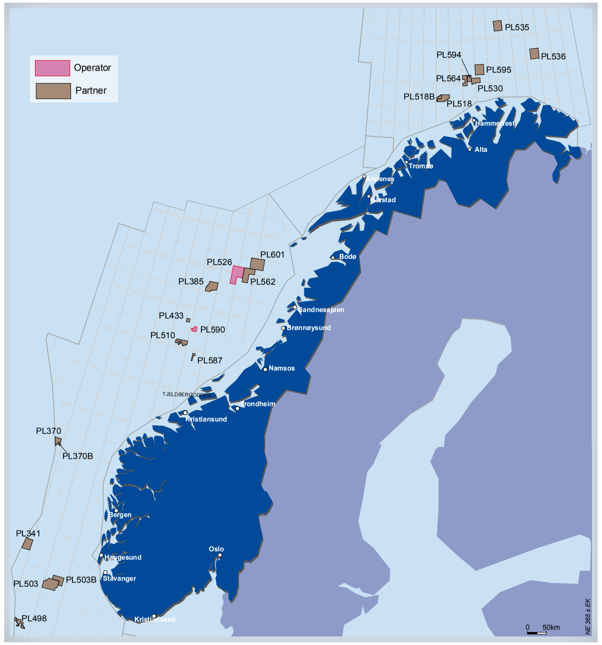
From the start North Energy has built up a portfolio of licences in the Barents Sea, Norwegian Sea and North Sea. After the allocations in the APA 2010 and acquisition of PL 370, the company has a total of 21 licences. Most of the licences have been allocated through licensing rounds.

North Energy has focused in particular on growth in the North, and this is reflected in turn in the portfolio. It is in the Barents Sea in particular that North Energy can show a level of activity on par with much larger companies.

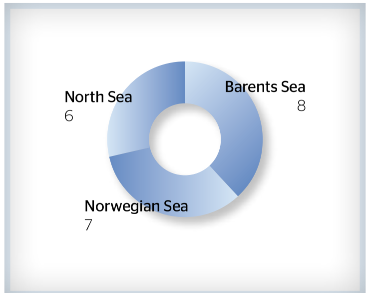
Drilling of two wells in 2010

Drilling of the Fogelberg prospect in PL 433 in the Norwegian Sea resulted in a gas and condensate discovery that will likely be developed. The discovery is located near existing infrastructure, and, since there is ongoing work to establish transport solutions in the area, North Energy is very positive about the future of the Fogelberg discovery. Unfortunately, drilling in the Stirby prospect in PL 341 in the North Sea proved negative. But the drilling did prove that the licence is situated in a prospective area, and we are working on the evaluation of several prospects in the block, which is very large in area.

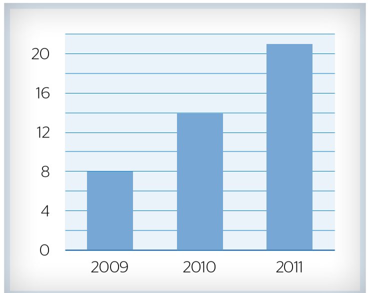
Licences



Geographic distribution of licences



Growth in the number of licences from start-up



Summary of licences

Licence	Interest	Operator	Well
Barents Sea			
PL 518	30 %	Dong	2011
PL 518 B	30 %	Dong	
PL 530	20 %	GdFSuez	2011
PL 535	20 %	Total	2011
PL 536	20 %	Statoil	DoD
PL 564	20 %	OMV	DoD
PL 594	20 %	Statoil	DoD
PL 595	40 %	Edison	DoD
Norwegian Sea			
PL 385	35 %	Statoil	2012
PL 433	12 %	Centrica	2010
PL 510	20 %	Centrica	DoD
PL 526	40 %	North Energy	DoD
PL 562	10 %	EON Ruhrgas	DoD
PL 587	40 %	Edison	DoD
PL 590	40 %	North Energy	DoD
North Sea			
PL 341	11 %	Det Norske	2010
PL 370	10 %	Agora Oil and Gas	2012
PL 370B	10 %	Agora Oil and Gas	2012
PL 498	25 %	Lotos	2012
PL 503	25 %	Lotos	DoD
PL 503 B	25 %	Lotos	DoD

DoD means that the licence will make a decision to drill or surrender

Barents Sea

The company has eight licences in the Barents Sea and is one of the companies with the most ownership interests in the area. The Barents Sea is a priority area for North Energy, and the company has had a lot of activity here since the beginning. It is particularly in the Hammerfest Basin that North Energy has strengthened its position, especially since the allocations in the APA 2010. This is the area we feel that our chance of discovering hydrocarbons is the greatest.

In the Barents Sea, North Energy has especially focused on gaining knowledge of the generation, migration and preservation of hydrocarbons. As a result of this work, we feel that there are great opportunities for oil discoveries, and this applies in particular to the Hammerfest Basin.

Participating in three wells in the Barents Sea

The first well North Energy will participate in in the Barents Sea will be Norvarg in PL 535, with Total as the operator. North Energy believes that there is a good possibility of finding gas in this structure. The reservoir here is primarily composed of sandstone from the Triassic age.

The second well North Energy will drill will be in Heilo, PL 530, which was assessed as one of the best during the 20th licensing round. The company hopes to find oil in Jurassic sandstone in this prospect. GdFSuez will operate this well.

The third well to be drilled in the Barents Sea will be the Zapffe licence, PL 518, possibly the most exciting of all our wells in the Barents Sea in 2011. Here the partners hope to discover oil in exploration models that have been explored to a limited extent in the Barents Sea. Reservoirs were created while active fault activity took place in the upper Jurassic and lower Cretaceous, so-called syn-rift sediments.

Overall North Energy will participate in three exploration wells in the Barents Sea in 2011, and in the event of discoveries in the Heilo and Zapffe wells, the company will also participate in two sidestep wells. This makes us one of the most active drilling partners in the Barents Sea this year.

Norwegian Sea

North Energy has seven licences in the Norwegian Sea, two of which have been acquired by so-called farm-ins. This applies to PL 433, where the Fogelberg discovery was made, which is operated by Centrica, and PL 385, which is operated by Statoil. The company is expecting to drill here late in 2011 or early in 2012.

After the APA 2010, North Energy has two operatorships in the Norwegian Sea. The licences that North Energy has in the Norwegian Sea are concentrated around infrastructure to which any discoveries can be connected, and in a northern area where the company's first self-operated licence (PL 526) is located.

In the Norwegian Sea, North Energy is primarily exploring traditional Jurassic fault traps, and thus there is a relatively high likelihood of discoveries in these prospects.

This applies to the PL 510, PL 385, PL 587 and PL 590 licences, where North Energy is exploring prospects with Jurassic sandstone in fault traps created after the sandstone was deposited. This exploration method has been very successful in the area, and discoveries have been made in more than half of these types of traps.

North Sea

North Energy has six licences in the North Sea. The partners in PL 498 have decided to drill the Skagen prospect. The drilling of this well is scheduled for 2012, and it will test an exciting exploration model in the Cretaceous that has been very successful in similar settings.

North Energy also has the prospect with the most potential in the entire exploration portfolio in the North Sea, the Valberget prospect. Since the prospect represents a new exploration model, the Valberget prospect carries a very high risk.

North Energy drilled a dry well in the North Sea in 2010, the Stirby prospect. The well was primarily to test the upper Jurassic sandstone, but the reservoir was not present. There were traces of gas in the deeper levels of the well, but impervious rock types mean that it is unlikely to produce any hydrocarbons.

In March 2011, North Energy signed an agreement with Wintershall Norge ASA to acquire a 10 per cent share in the licences PL 370 and PL 370B Kakelborg. At the same time, North Energy will take over Wintershall's 20 per cent interest in licence PL 385 Jette. The deed is expected to be signed by the summer of 2011. This agreement entails that North Energy has an additional two wells in its portfolio. PL 370 will be drilled early i 2012, and it will be the seventh well in North Energy's drilling portfolio. North Energy considers the Kakelborg prospect to be a very interesting prospect in the northern North Sea.

Drilling operations 2010

North Energy participated in two drilling operations in 2010. Well 6506/9-2 in PL 433 Fogelberg was drilled in February-April with Centrica Norway as the operator. This was a well under very high pressure and with high temperatures, and it was the first well Centrica drilled on the Norwegian continental shelf. Gas condensate was discovered in the Garn and Ile formations in the Early to Middle Jurassic, and several core samples were taken of the well.

Well 24/12-6 S2 in PL 341 Stirby was drilled in August-December with Det norske Oljeselskap as the operator. This was also a well where high pressure and high temperatures were expected in the reservoir. The well proved gas in the Hugin/Sleipner formation in Middle Jurassic, but further data collection could not confirm the degree of saturation or productivity, and the well was declared dry.

The discovery was classified as a contingent resource in accordance with the SPE classification system, and according to the Norwegian Petroleum Directorate it will be classified 5F – production likely, but not clarified. North Energy's unaudited net contingent resource estimate for Fogleberg is 6 million barrels of oil equivalents.

Petroleum activities moving northwards

Norwegian petroleum activities are moving increasingly faster towards Northern Norway, a trend that is further amplified by the clarification of the boundary line with Russia. The Norwegian and major international oil companies are looking towards the northern regions to realise their potential and plans for growth on the Norwegian continental shelf. In the near future, we will see a shift in the main petroleum activities from the south to the north. North Energy grew up in the North. We will remain in the North, and we will create value in the North.

Photo: Anne Lise Nordheim - Halliburton

Creating confidence in the future

By developing the region further, we will see business, education, culture and general welfare prosper. These are elements of a society's development that provide positive synergies and ripple effects.

By providing people who grow up in northern Norway with prospects of varied, interesting and good workplaces, the oil industry will be the greatest contributor to creating a stable development, new centres of expertise and higher revenues for the local communities.

The region's future will be created through those who are young today. By strengthening relevant education trends and creating interesting and varied jobs, the youngest generations will find it challenging to establish a career in Northern Norway. In this way the region will hold on to and attract new talent and expertise. It will give the petroleum industry an opportunity to build strategic functions, and to create regional growth.

Growth in other sectors

The petroleum activities will contribute to growth in other sectors as well, since the industry is dependent on well-developed infrastructure and a broad range of services for employees and their families. Roads, mainland connections, and air services are decisive for ensuring efficient transport. The same applies to a good and stable supply of power, which modern industry is dependent on. Overall this will make Northern Norway competitive.

With increased competitiveness, the municipalities and county authorities' revenues will also increase. This will provide a higher standard of living through better solutions in health and social care services, education and culture.

Permanent effects

Northern Norway already has a number of strong industry clusters, industrial enterprises and educational institutions. North Energy spends much of its time on identifying and developing potential opportunities. Northern Norwegian companies are in the forefront with regard to emergency preparedness technology, for example. We believe in utilising the local expertise that already exists in the Northern Norwegian emergency preparedness model, where the fishing fleet is of key and decisive importance.

We know that oil activities in the North are dependent on dialogue and broad support, and we will do our part in this context. In this way we will help realise the region's potential and create wealth.

Health, safety and the environment

Good HSE performance is a prerequisite for creating long-term value. Our goal is to prevent accidents and injuries.

Working environment

In 2010, North Energy performed health, safety and environmental (HSE) activities in compliance with its HSE programme for the year. This includes, for example, ergonomic advice at the offices, first aid courses and a comprehensive employee survey as tools for mapping and further developing the organisation into an even more efficient and better workplace. Three working environment committee (AMU) meetings were held and an employee representative has been elected to the company's Board of Directors.

The total absence due to illness was 0.8 per cent in 2010. The trend throughout 2010 showed falling absence due to illness, and, compared with 2009, absence due illness has been reduced by 50 per cent. The company will continue to safeguard the health of the staff by providing training facilities, physiotherapy, etc. No workplace accidents have occurred or been reported during the year.

The company has appointed a working environment committee, and a meeting schedule has been established for the committee. Collaboration with union officials has been constructive and made a positive contribution to the company's operations.

Follow-up of the "supervisory obligation" and HSE activities in self-operated licences

The company has complied with the "supervisory obligation" for the licences where drilling has been proposed (Fogelberg and Stirby) and actively participates in other partner licenses, and especially in licenses where drilling is planned.

In connection with environmental analyses and emergency preparedness assessments related to the operatorship of PL 526 Vågar, the company, has, together with a team of experts, made two trips (Lovund to Steigen) in the summer of 2010 and documented areas and locations of natural and cultural significance. In addition, North Energy established three projects together with Statoil in 2010, one of which will analyse the regional business effects, population and move-back potential, as well as the development of the employment market for petroleum development in Lofoten, Vesterålen and Troms II. This is a continuation of North Energy's project related to technological development solutions and opportunities for bringing petroleum ashore, as well as the environmental and social consequences of petroleum activities in the same area. In the autumn of 2010, the company also conducted several meetings (dialogue conferences) with fishermen and fishing organisations in order to strengthen the dialogue and knowledge base between these parties. In 2011 North Energy will still be available as a dialogue partner for the fishing organisations and other business interests in questions related to the shared use of resources outside Lofoten and Vesterålen.

Further development of the company's management system – preparation of own operations

As a continuation of work on the management system in 2009, North Energy has developed this as a foundation for its own drilling in 2010. In this connection, a framework agreement was entered into with Oddfjell Well Management AS in the autumn of 2010 in order to help North Energy build up competence and documentation for the drilling of wells on the Norwegian continental shelf. Completion of the formal work on the management system and internal procedures is expected in the second quarter of 2011. The project affects all areas of the organisation and is quality assured through a separate management committee. There is a particular focus on including processes and guidelines related to risk and operations management, including the experience gained as a result of the Macondo accident. This will be safeguarded in the relevant drilling documentation.

Photo:

An active year for business development

Photo: Thomas Bjørnflaten

North Energy is actively working on business development activities to strengthen the exploration portfolio and improve the portfolio's risk profile. In order to achieve this, the company's overall strategy is to acquire licences with prospects that are situated close to infrastructure and with a high likelihood of success.

This is best achieved through known models for exploration around infrastructure where surplus capacity will be available in a few years. A good example of this is the Fogelberg discovery in March 2010 in PL 433, around 18 km north of the Åsgard field. The discovery is assumed to be commercial. PL 433 was acquired in 2009 from Centrica, who is the operator of the licence.

The PL 341 Stirby acquisition was carried out in the course of the year. The main prospect in this exploration well was not found, but there were indications of gas in the deeper part of the well, which has not been found to be commercially viable.

North Energy will continue to evaluate high quality acquisition opportunities, and sell-offs and swaps will also be evaluated to balance the risk and financial exposure of the portfolio.

North Energy's strategy is to realise the value of discoveries by participating in development and production, or through sales, if the value of the discovery can be realised at an earlier stage so that the resources can be reinvested in exploration or other developments.

The discovery in PL 433 will be assessed continuously on the basis of this strategy. A positive development has been observed over the course of the year as the project has continued to mature.

In March 2011, North Energy signed an agreement with Wintershall Norge ASA to acquire a 10 per cent interest in the licences PL 370 and PL 370B Kakelborg. At the same time, North Energy will take over Wintershall's 20 per cent interest in licence PL 385 Jette.

A growing organisation

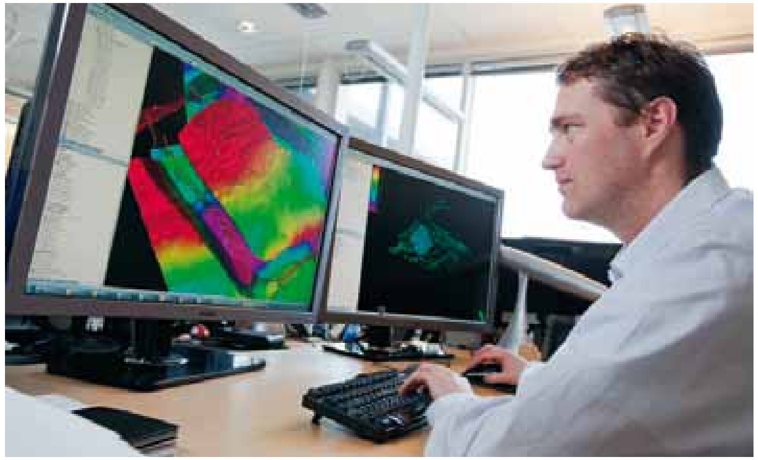


Photo: Thomas Bjørnflaten

North Energy is growing. We focus on expertise and diversity when building up our organisation. Motivated employees with the right knowledge and experience are important prerequisites for achieving our goals.

The number of employees at North Energy has increased during this period. At the beginning of 2010, the company had 38 employees, compared with 43 at the end of the year. In addition, the company hired five consultants to strengthen the exploration activities. Female representation in the company is 30 per cent. A total of 67 per cent of the employees work in exploration and operational activities, while the remaining 33 per cent work in support functions.

North Energy has a multicultural working environment, and 10 nationalities are represented within the company.

Throughout 2010, the company has focused on building up the organisation in order to strengthen the exploration activities and operational aspects with a view to active operatorship. Further development is anticipated, primarily in the first half of 2011.

The company has a high level of satisfaction, which is confirmed by the working environment survey that was conducted in 2010. A new survey will be conducted in 2011. Absence due to illness was at an acceptable level in 2010, and it was at a modest 0.8 per cent. Continuous measures are considered and carried out to follow up and improve the employees' physical working environment, and adaptation of the individual employee's workplace has been prioritised. Encouragement of physical activity through measures where the company supports training activities has also been well received by the employees.

The balance between work and leisure is seen as very important. The company endorses, therefore, flexible working hours.

Expertise

Cooperation has been established with the University of Tromsø with a view to strengthening the geological and geophysical expertise in Northern Norway. On the basis of this cooperation, a new office has been established in Tromsø that is staffed by experienced geophysicists in order to draw on cooperation with the university. The recruitment of master's students and project cooperation will contribute to strengthening both parties.

The Management of North Energy ASA

Name: **Erik Karlstrøm**
Title: **Managing Director**

Erik Karlstrøm is the managing director and was the first employee of the company. Karlstrøm came from the German RWE Group, where he worked for 20 years; during the last period he was vice-president of RWE Egypt, with responsibility for exploration. As exploration manager in Egypt, Karlstrøm was directly involved in a number of discoveries of gas in the Nile Delta. Previously Karlstrøm worked for six years at Mobil in the USA and Stavanger. Karlstrøm has also been the head of the exploration committee of the Norwegian Oil Industry Association (OLF). Karlstrøm graduated as an engineer in geophysics at the Norwegian Institute of Technology (NTH) in Trondheim, and is originally from Talvik in Alta.

Name: **Siw Sandvik**
Title: **Communications Manager**

Siw Sandvik has been manager of communications at North Energy since October 2010. She has long and extensive experience in her field. Sandvik worked in communications at Widerøe for 20 years and has also worked for SAS for five years in customer relations. Her strength is communications and information work in large organisations. She has experience in building relationships with the media and has currently a good network within the media in Norway. Siw Sandvik graduated in information and public relations from the BI Business School.

Name: **Knut Sæberg**
Title: **CFO**

Knut Sæberg was appointed CFO in March 2009 and is responsible for the company's financial functions. Prior to this, Sæberg was CFO in the Optimera Group, where his areas of focus were restructuring and acquisitions and disposals of businesses. Sæberg was previously CFO of NMD ASA and was a key figure in the restructuring of the company in the wake of the deregulation of the pharmaceutical market. From 1984 to 1995 he held various positions in Shell, and was directly involved in the establishment of the business organisation connected to the Troll project. Sæberg graduated in economics and business administration from Kristiansand in 1984.

Name: **Lars Tveter**
Title: **HSE Manager**

Lars Tveter is the manager for health, safety and environment (HSE), and has been at North Energy since its inception. Prior to this, he was manager of Aibel's operations in Libya. Tveter began his career as a process engineer at Kværner Engineering. From 1980 to 1990 he held various positions in R&D, petroleum technology, operations and HSE at Total. He has been staff manager of Dolphin Drilling and HSE manager of Hitec Dreco. Between 1994 and 2008, Tveter was responsible for international business development in Aibel. He has worked abroad for several periods in Argentina, France, Egypt and Libya. Tveter graduated as an engineer from the Norwegian Institute of Technology (NTH) in Trondheim, and has an MA in international management from BI Business School in Oslo.

Name: **Astrid Tugwell**
Title: **Development Manager**

Astrid M Tugwell joined the company as development manager in February 2008. Tugwell has a solid background in reservoir development and has also held positions in finance, planning, licence management and project management. She started her career in the Norwegian Petroleum Directorate before joining Shell International and later Norske Shell. During this time she took part in a number of European and Norwegian projects, from drilling to the development of mature fields, including participation in the development of the Ormen Lange gas field. Her last position at Shell was development manager of the Draugen field in Haltenbanken. Tugwell comes from Øksfjord in Loppa and graduated as a petroleum engineer from Strathclyde University in Glasgow.

Name: **Marion Høgmo**
Title: **Administration Manager**

Marion Høgmo has been administration manager since April 2008, with particular responsibility for HR and administrative processes. Her specialities are organisation, finance, development and management. From 2000 to 2008 she was a bank manager at Sparebank 1 Nord-Norge and Nordea. Høgmo has studied economics, management and education at Finnmark University College, law at the University of Oslo and administration and management at Buskerud University College.

Name: **Vigdis Wiik Jacobsen**
Title: **Portfolio Manager**

Vigdis Wiik Jacobsen is the portfolio manager of North Energy. She has worked in exploration in Norway and internationally for over 30 years. From 2001, Jacobsen participated in the creation of Gaz de France Norge, and was responsible for exploration activity on the Norwegian continental shelf. From 1983 to 2001 she worked primarily in exploration in Statoil, first as exploration manager for the Norwegian continental shelf and later as vice-president for exploration in the Caspian Sea. Jacobsen has also headed the exploration committee of the Norwegian Oil Industry Association (OLF). Jacobsen began her career in the Norwegian Petroleum Directorate and has an MA in geology from the University of Oslo.

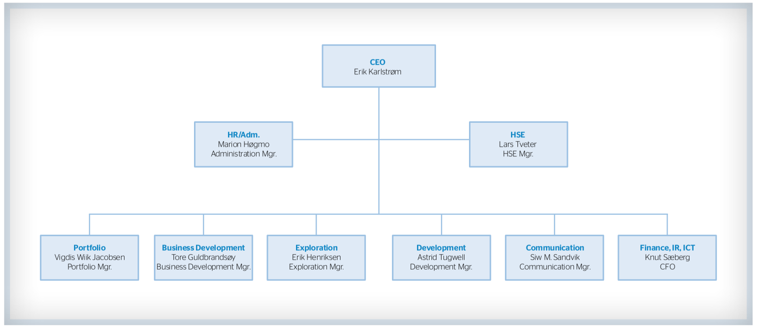
Name: **Erik Henriksen**
Title: **Exploration Manager**

Erik Henriksen was appointed exploration manager on May 1, 2011. His previous position was with Statoil as project manager and exploration manager for the northern areas. He also has strong ties to the University of Tromsø, where he is an adjunct professor, teaching petroleum geology. Erik Henriksen is originally from Narvik, has a degree in geology, and worked for 20 years at Statoil and two years at the Norwegian Petroleum Directorate. He has experience from the entire Norwegian continental shelf, from Sentralgraben in the south to the Barents Sea in the north. For the last ten years, Erik Henriksen has been working internationally as exploration manager for Eurasia with particular focus on Russia, Kazakhstan and Azerbaijan. Most recently he has been project manager for exploration projects in the northern areas. He played a key role in the «Barents Sea Project», in which the government in 1997 awarded important seismic contracts to oil companies to increase interest in the area. As the sector manager for the Barents Sea, he also has experience from the so-called «drilling campaign» in the Barents Sea.

Name:
Tore Henrik Guldbrandsøy
Title: **Business Development Manager**

Tore Henrik Guldbrandsøy is the business development manager of North Energy. He has worked in the oil industry for 22 years, and has extensive international experience from BP, Statoil and 4sea energy from various countries: Norway, the UK and Vietnam. He has held technical and commercial positions and has worked both onshore and offshore in leading positions. He was previously business development manager of 4sea energy and business development project manager at Statoil. Guldbrandsøy obtained an MSc in petroleum engineering from the Norwegian University of Science and Technology (NTNU) in Trondheim in 1988.

Management, organisation chart



Investor information

North Energy's goal is to ensure a good return for its shareholders over time. Emphasis is placed on openness and accessibility in its dialogue with the investor market.

Owners

North Energy was listed on Oslo Axess in February 2010. After the listing the ownership interests in the company were distributed by geographic region as follows:

1. Northern Norway 45 per cent
2. United Kingdom 25 per cent
3. Southern Norway 20 per cent
4. Other Europe 10 per cent

Shareholder composition

As at 31 December 2010 the company had 1,019 individual shareholders. The twenty largest shareholders represented 63 per cent of the share capital. Around 45 per cent of the capital is owned by investors affiliated with Northern Norway, while 35 per cent is owned by foreign investors and 20 per cent by investors affiliated with Southern Norway. Employees and board members owned a total of 9.1 per cent of the shares. North Energy's goal is to work actively to maintain a high level of North-Norwegian ownership.

North Energy's 20 largest shareholders

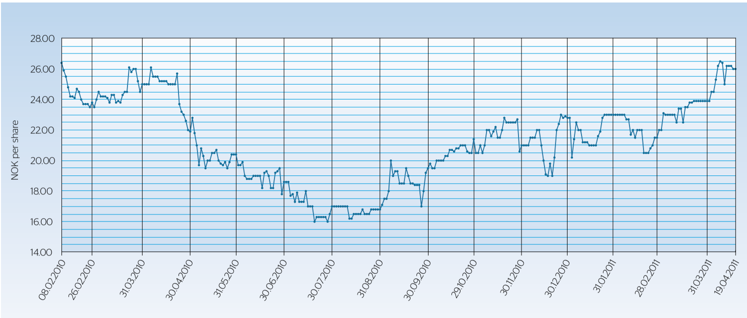
	Shareholder	Number of shares	%
1	UBS AG, London Branch	2 446 500	9.7
2	SKS Eiendom AS	1 824 920	7.3
3	JPB AS	1 350 000	5.4
4	Origo Kapital AS	1 248 100	5.0
5	Onshore Group Nordland AS	933 340	3.7
6	IHM Holding AS	739 929	2.9
7	Skandinaviska Enskilda Banken	645 300	2.6
8	Kapnord Fond AS	640 000	2.5
9	Alta Kraftlag AL	600 230	2.4
10	The Northern Trust Co.	564 900	2.2
11	IKM Industri-invest AS	545 648	2.2
12	State Street Bank & Trust Co.	536 008	2.1
13	Morgan Stanley & Co. Internat. PLC	531 227	2.1
14	Ninerik AS	516 735	2.1
15	Bank of New York Mellon SA/NV	500 000	2.0
16	Caceis Bank	484 670	1.9
17	The Northern Trust Co.	442 204	1.8
18	DnB NOR SMB	435 000	1.7
19	Leonhard Nilsen & Sønner AS	431 210	1.7
20	First Securities AS	425 000	1.7
1-20	Total	15 840 921	63.0

Share on Oslo Axess

North Energy ASA (ticker code "NORTH") shares were registered on Oslo Axess on 5 February 2010 after a successful capital increase. The shares were listed at an opening price of NOK 26.50 per share, which corresponds to a market value of NOK 667 million. The price fell by 14 per cent during the year, to a closing price on 31 December of NOK 22.80 per share. In comparison the benchmark index, the Oslo Børs Energy Index, increased by 8 per cent during the same period. The company's market capitalisation at the end of the year was NOK 573.4 million, divided into 25,149,736 outstanding shares.

The share's performance has varied throughout the year with regard to the return, number of trades and volume.

The company has only one class of share with each share giving one vote at the company's General Meeting.



North Energy has not paid any dividend to shareholders previously and is not expecting to pay any dividend in the near future, however, the company has a goal of ensuring a good return over time by creating value and making the value potential more visible and thus contributing to a positive price performance for the share.

A number of analysts follow the company's shares on a continuous basis, and a summary with contact details can be found at www.northenergy.no/investor

Analyst coverage

- First Securities
- Argo Securities
- RS Platou Markets
- Pareto
- SEB

Directors' report 2010

Business activities

North Energy ASA was established on 4 September 2007. The object of the company is to become a leading oil and gas industry player in Northern Norway through exploration and production based in the Norwegian Sea and Barents Sea.

North Energy's head office is located in Alta, and it has a branch office in Oslo. Smaller offices with regional expertise have also been established in Stavanger, Bergen, Bodø, Tromsø and Honningsvåg.

Important events

North Energy was listed on Oslo Axess on 5 February 2010. Prior to the stock exchange listing, the company raised NOK 350 million in the form of new equity after a share capital increase was adopted at the Extraordinary General Meeting of 21 January. This was to fully finance a drilling programme consisting of eight wells.

In addition, North Energy acquired all the shares in the company 4sea energy AS, which had ownership interests in two exploration licences in the North Sea, in February 2010. This company also supplied capital of NOK 50 million and contributed two experts that were well-adapted to the expertise required by North Energy. Shares in North Energy ASA with a total value of NOK 50 million were issued as consideration for the shares in 4sea energy AS.

North Energy started drilling at PL 433 Fogelberg as a partner with a 12 per cent ownership interest in the licence in February 2010. At the end of March 2010 the discovery of hydrocarbons in the licence was announced. Extensive analysis and tests were performed throughout 2010, and we are working now on a more formal start-up of the Plan for Development and Operation (PDO) process after the need for possible appraisal wells is clarified. Our goal is to make a conclusion in the middle of 2011 whether work on a PDO can continue without drilling additional wells.

In October 2010, North Energy acquired 11 per cent of PL 341 Stirby in the North Sea. The drilling had already started then, and in November hydrocarbons were proven in the deeper portion of the well. This deposit was declared sub-commercial in December, due primarily to tight formations. Assessments are being made now of the shallower main reservoir, which was not hit by the well, as well as other possible prospects in the licence.

PL 433 Fogelberg and PL 341 Stirby are licences where North Energy has acquired interests from other companies.

North Energy was allocated five new licences through the APA 2010. Two of these are in the Barents Sea, two in the Norwegian Sea and one in the North Sea. Of the two in the Norwegian Sea, North Energy was allocated one operatorship. The licence allocations represented a jackpot with respect to the company's application, and the Board of Directors perceived the good allocations to be recognition of the expertise the company has built up around the core areas in the North. In addition, the allocations also value the company's competence as an operator.

In March 2011, North Energy acquired a 10 per cent interest in PL 370 Kakelborg and increased its interest in PL 385 Jette from 15 per cent to 35 per cent. With this transaction, North Energy has built up a portfolio of 21 licences, 8 of which are in the Barents Sea, 7 of which are in the Norwegian Sea, and 6 of which are located in the North Sea.

Beyond management of the allocated licences and adaptation of the exploration portfolio, the main focus in 2010 has been on surveying the exploration areas in connection with the APA 2010, as well as the 21st licensing round.

North Energy is embarking on a year with a significant increase in the exploration activities. Through the capital increase that took place in February in combination with an exploration loan, the original exploration programme has been fully financed. In order to adapt the exploration loan facility to the drilling programme for 2011 and 2012, the company organised a competitive tendering process in 2010, in which Norwegian and foreign banks were invited to tender. There was a great deal of interest in the competitive tendering, and DnB NOR and SEB Enskilda formed a syndicate to back the exploration loan facility of NOK 760 million, which was formalised in December. DnB NOR leads the syndicate. BNP Paribas has subsequently become a member of this syndicate of banks.

Since the establishment of the company, North Energy has sought to contribute to increasing the creation of value regionally and good industrial solutions. Throughout 2010 and 2011 North Energy has focused on these efforts in relation to the fishing interests in Lofoten and Vesterålen in order to contribute expertise with respect to obtaining new knowledge and establishing a growing understanding of the shared responsibility for stewardship that lies with all the members of the business community in this vulnerable area. In addition, the company has contributed to documenting the correlation between more oil and gas activities in the North and Norway's future as an energy nation.

It is a great challenge to work with the distribution of factual information with respect to an issue where the national and local media focus on feelings and contradictions. In this minefield, many external entities create a profile through continuous attempts to polarise any issues that exist between the petroleum industry in Lofoten and Vesterålen (LoVe) without placing the region in a comprehensive national context.

The bridge-building role that is part of North Energy's core values has come to the forefront throughout 2010 by virtue of the dialogue the company has had with the local fishermen. The so-called "Øksnes Requirements", which have attracted local and national attention, are a direct result of this work. In this document, the focus is not only on what the energy industry can contribute locally and regionally, but also what challenges and risks must be minimised before any activity can be established. In addition, measures are being discussed for how other businesses in the region can be strengthened. The objective of this activity is to create a basis for broad support in Northern Norway for more oil and gas activities.

Continuation as a going concern

In accordance with Section 3-3a of the Norwegian Accounting Act, it is confirmed that the prerequisites for continued operations have been met. This assumption is based on the company's financial situation, forecasted results for the year 2011 and the company's long-term strategic forecast for the coming years.

Future developments

The Board of Directors has a positive view of the basic outlook for the upstream market in the oil and gas industry.

Since the company was established in 2007, North Energy's main goals have been related to building up a strong organisation, allocation and acquisition of good licences, completion of an exploration programme and the subsequent investment in development and production. North Energy's goal is to contribute to the local creation of value as the oil activities gradually move northwards. This can best be achieved by the company having operatorships in licences that are in an active phase with regard to drilling, development and production. North Energy has, therefore, started to build up the necessary expertise and systems related to such a role throughout 2010.

North Energy increased its capital base in February 2010 by NOK 400 million. Together with the exploration loan facility that was negotiated with DnB NOR, SEB Enskilda and BNP Paribas, the original drilling programme for eight wells has been fully financed. In this programme, two wells have been completed and six wells consequently remain. Of the remaining six wells, three will be drilled in 2011 and three will be drilled in 2012.

The drilling programme will start with PL 535 Norvarg in the second quarter of 2011 and continue with PL 530 Heilo and PL 518 Ypsilon. All of these wells will be drilled in the Barents Sea, where North Energy has emerged as a substantial player. The drilling programme for 2012 consists of PL 385 Jette in the Norwegian Sea and PL 498 Skagen and PL 370 Kakelborg in the North Sea.

North Energy intends to participate actively in future licensing rounds. Based on our good exploration expertise and strong financing, we have high ambitions for good allocations. The Board of Directors is concerned about the continuation of efforts to strengthen and optimise the portfolio, and the company will, therefore, still assess opportunities for the acquisition and sale of licences.

North Energy is actively seeking a sustainable opening of the promising exploration area outside Lofoten and Vesterålen. The company has participated in studies that can contribute to the opening of vulnerable coastal areas with new technology without any conflicts with the local interests.

Since the company was established, North Energy's ambition has been to play a role in the development of the northern regions. As a result of the consensus that has been reached between Norway and Russia concerning the disputed area in the Barents Sea, this development may come earlier than first assumed. North Energy will, therefore, continue to build up its competence and position itself in this area.

Forward-looking statements in this portion and the rest of the Board of Directors' report reflect the current view of future circumstances, and are, of course, associated with significant risk and uncertainty, because they concern and are dependent on events or circumstances that take place in the future.

Comments on the annual financial statements

The company does not have any revenues. The loss before tax was NOK 279.8 million in 2010, compared with a loss of NOK 208.4 million in 2009. The earnings performance reflects a development phase in which the number of licences has increased from eight in 2009 to fourteen at the end of 2010. The licence and exploration costs account for most of the financial results. These costs have increased from NOK 113.1 million in 2009 to NOK 177.1 million in 2010. The personnel costs were NOK 61.5 million in 2010, compared with NOK 62.4 million in 2009.

The loss after tax was NOK 62.6 million in 2010, compared with a loss of NOK 64.4 million in the previous year.

Of the balance sheet total of NOK 635.2 million, equity accounts for NOK 480.5 million. This gives a year-end equity ratio of 75.6 per cent. The company strengthened its equity by NOK 350 million through a public offering that was completed in February 2010. In addition, North Energy has strengthened its capital base through the acquisition of 4sea energy AS in February 2010.

Of the balance sheet assets, the tax claim from the refund scheme is valued at NOK 342.6 million. This is an increase from NOK 149.0 million in 2009. In addition, the company's cash and cash equivalents increased from NOK 45.7 million in 2009 to NOK 49.4 million in 2010. North Energy participated in the drilling in PL 433 Fogelberg in the first half of 2010. A discovery was ascertained, and the drilling costs were capitalised in the amount of NOK 110 million. The company did not have any interest-bearing loans at the end of the year. North Energy negotiated a new and expanded exploration loan facility in the autumn of 2010. The loan facility limit is NOK 760 million kroner, and

DnB NOR, Svenska Enskilda Banken and BNP Paribas are behind it, with DnB NOR leading the syndicate of banks.

The cash flow from the operating activities in 2010 has been NOK -32.1 million, compared with NOK -80.8 million in the previous year. The investment activities have entailed a negative cash flow of NOK 214.0 million, which is an increase of NOK 199.2 million over 2009. The net cash flow from financing activities in 2010 totalled NOK 286.5 million, compared with NOK 128.0 million in 2009.

The Board of Directors considers the company's financial position to be satisfactory.

Risk assessments

Overall objectives and strategy

The company is exposed to financial risk in various areas. The foreign exchange risk is, however, low, since borrowing and contracts denominated in foreign currencies is limited. Increased exposure in these areas is, however, planned in the coming years. The aim is to reduce the financial risk to the greatest possible extent. The company's current strategy does not entail the use of financial instruments, but this is subject to continuous evaluation by the Board of Directors.

Foreign exchange and market risk

North Energy does not participate in fields in production and is thus not exposed to major oil price fluctuations. The company has not entered into futures contracts or other agreements in order to reduce the company's foreign exchange risk and thereby the operational market risk.

Interest rate risk

The company is exposed to fluctuations in interest rates, since most of the company's debt has adjustable interest rates. In addition, changes in the interest rate can affect investment opportunities in future periods.

Credit risk

The risk of bad debts is considered low, as in this phase the company's receivables are primarily from the Norwegian government in connection with the tax value of exploration costs.

Operational risk

North Energy is a company in which the operational risk is closely associated with the company's expertise. The company focuses, therefore, on competence development, organisational development and management systems. In addition, as an exploration company, North Energy will be dependent on political willingness to exploit resources in interesting areas.

HSE

Total absence due to illness for 2010 was 0.8 per cent. This entails a 50 per cent reduction in absence due to illness compared with 2009. The company will continue to safeguard the health of the staff by providing training facilities, physiotherapy, etc. We focus in particular on working postures and the prevention of typical strain injuries in an environment distinguished by monitors and long work days in a sitting position. No workplace accidents have occurred or been reported during the year. Striking a good balance between work and leisure is considered important. The company endorses, therefore, flexible working hours. The company has appointed a working environment committee and established a meeting schedule. Collaboration with union officials has been constructive and made a positive contribution to the company's operations.

The Board of Directors considers the working environment to be satisfactory, which is also confirmed by employee surveys.

North Energy's activities in 2010 pollute the external environment only to a limited extent. The biggest factor is air travel, and in this connection the company uses modern voice and conferencing to a great extent between the offices to limit travel. The operations do not use environmentally harmful chemicals or generate dust or noise.

The company's offices are in a new building at Kunnskapsparken in Alta, which is equipped with an energy-saving time-controlled ventilation system. The heating system has time-controlled night time temperature reduction and lighting. All waste is sorted.

Throughout 2010 the company has participated as a partner in connection with exploration drilling in PL 433 Fogelberg, which ended in April, and PL 341 Stirby, which ended in December. The operations were completed without any reported personnel injuries or pollution of the external environment. North Energy has in this connection discharged its supervisory obligation in accordance with the regulatory requirements.

Personnel resources and equal opportunities

North Energy had 43 employees at the end of the year. This represents growth of five persons compared with 2009. In addition to the employees, five consultants have been hired to reinforce the company's exploration activities.

North Energy has a multicultural working environment, and 10 nationalities are represented within the company. When new employees are recruited, North Energy will continue to facilitate diversity with respect to, but not limited to, gender, cultural background and experience. Remuneration is determined based on the content of the work duties and the employees' qualifications. The management team's remuneration is described in notes to the financial statements.

North Energy aims to be an employer where there are equal opportunities for women and men. The company has a policy of no discrimination due to gender.

The company's workforce consists of 30 per cent women. The management team consists of eight persons, three of whom are women, while the Board of Directors consists of eight shareholder-elected representatives and one employee-elected representative. In addition, the Board of Directors has one observer from the company's employees. Three of the shareholder-elected board members are women.

The company will continue to focus on equal opportunities between men and women and would like to maintain a high percentage of women in executive positions.

Ownership

North Energy's capital base and ownership was expanded significantly through the new issue completed in February 2010 and the acquisition of 4sea energy. As a result of this, North Energy has had around 1000 shareholders throughout 2010. Most of the company's shareholders are still in Northern Norway, but there are also significant ownership environments in London, Oslo, Stavanger and Helsinki.

Corporate governance

Corporate governance is the Board of Directors' most important tool for ensuring that the company's resources are managed in the best possible manner and contribute to the long-term creation of value for the shareholders. An extensive process was carried out prior to the company's listing on Oslo Axess to ensure that the company was in full compliance with the Norwegian Code of Practice for Corporate Governance. The Board of Directors makes reference in this context to the special statement on the company's corporate governance in the Annual Report for 2010.

Allocation of profit/loss for the year

The company does not have any distributable reserves at year end. The Board of Directors proposes that the loss for the year of NOK 62.6 million be transferred to uncovered losses.

Alta, 12 April 2011

Johan Petter Barlindhaug
Chairman

Leif W. Finsveen
Board member

Kristin Ingebrigtsen
Board member

Arnulf Østensen
Board member

Jørn Olsen
Board member

Guri H. Ingebrigtsen
Board member

Heidi Petersen
Board member

Hans Kristian Rød
Board member

Ole Njærheim
Board member

Erik Karlstrøm
CEO

Corporate governance

An appropriate and clear distribution of roles between the Board of Directors, management and shareholder community contributes to building trust between the various stakeholder groups.

As a company listed on Oslo Axess, North Energy is required to prepare an annual statement on how the company has organised itself pursuant to the current Norwegian Code of Practice for Corporate Governance. The statement below follows the structure of the Norwegian Code of Practice for Corporate Governance, and any non-conformity with this code will be explained under each section.

1. Statement on corporate governance

North Energy practises corporate governance in compliance with Norwegian company law and the Norwegian Code of Practice for Corporate Governance, last revised on 21 October 2010.

North Energy's decisions and actions shall be based on the company's core values:

- To be at the forefront
- To be competent
- To be a bridge-builder
- To be a fearless voice in the North

It is the task of the management to ensure that the areas of responsibility are given priority, individually and combined, based on North Energy's core values and in compliance with the Norwegian Code of Practice for Corporate Governance. The company has prepared ethical guidelines and guidelines for corporate social responsibility. These guidelines are available on the company's website.

2. Business activities

North Energy shall manage operations involving the exploration, development and production of oil and gas on the Norwegian continental shelf and the Russian side of the Barents Sea, and own or participate in companies that manage equivalent operations, including through subsidiaries. The company's vision is to develop a leading and profitable oil and gas company that actively contributes to the development of industrial assets in the North. This is to be achieved by means of the following main strategies:

- Acquisition and allocation of the best licences in the Norwegian Sea and the Barents Sea.
- Ensuring an adequate capital base to finance the company through exploration, development and production.
- Ensuring access to good investment opportunities by being an attractive partner for the authorities and leading oil companies.
- Being a credible and confidence-inspiring partner for important stakeholders, such as suppliers, the fishing industry and environmental groups.
- Establishment of a foundation for long-term value creation and ripple effects in the North.

North Energy has a clear framework for its business activities in its Articles of Association, while visions, goals and strategies are embedded in the company's management system. This has been specified in greater detail through work in advance of the company's stock exchange listing, which took place in February 2010. In addition, the management has worked actively throughout the year to prepare the company for operator tasks on the Norwegian continental shelf. This has resulted, for example, in more detailed specifications in the management manual for North Energy.

3. Share capital and dividends

Since its establishment in 2007, North Energy has been purely an exploration company without any revenues. The company's activities are financed through equity. North Energy has not paid any dividend and is not expected to pay any dividend for the next few years.

4. Equal treatment of shareholders and transactions with close associates

If North Energy is party to a transaction with a party closely related to the company or with companies in which board members or senior executives or their relatives have a direct or indirect significant interest, the parties involved must immediately report this to the Board of Directors. Any such transaction must be approved by the Chief Executive Officer and the Board of Directors and, when required, it must also be reported to the market. North Energy has not invested in any treasury shares in 2010.

5. Free negotiability

Shares in North Energy are listed on Oslo Axess. All shares are freely negotiable. There are no restrictions stipulated in the Articles of Association concerning the negotiability of the shares.

6. General Meeting

The company's General Meetings in 2010 were held in compliance with Norway's Limited Companies Act. The General Meeting resolved in December 2009 to convert the company to a public limited company (ASA). After that time, Norway's Public Limited Companies Act formed the basis for conducting General Meetings.

The General Meeting is North Energy's highest decision-making body. The Board of Directors endeavours to ensure that the General Meeting is an effective forum for communication between the Board of Directors and the company's shareholders. Arrangements are therefore made on the part of the Board of Directors for the best possible participation of the company's shareholders at the General Meetings. Meeting notices and agenda papers are made available on the company's website no later than 21 days before the General Meeting. In addition, provisions will be made for voting in advance at the company's General Meeting.

The Board of Directors sets the agenda for the General Meeting. However, the most important items on the agenda are listed in the Public Limited Companies Act and the company's Articles of Association.

7. Nomination Committee

The Nomination Committee's duties are to submit a reasoned recommendation to the General Meeting concerning the election of shareholder-elected members to the Board of Directors and to nominate a chairman and deputy chairman. The Nomination Committee shall also submit a proposal for directors' fees and nominate members to the Nomination Committee. Establishment of a Nomination Committee is stipulated in the Articles of Association and regulated by instructions from the General Meeting.

Remuneration of the Nomination Committee is a fixed sum that is not based on performance. The General Meeting is the decision-making body for all recommendations submitted by the Nomination Committee.

8. Corporate Assembly and Board of Directors, composition and independence

North Energy has chosen not to have a Corporate Assembly.

The organisational structure of the Board of Directors is in compliance with the Public Limited Companies Act and is composed of three women and five men, all of whom have broad experience. Four of these directors have been elected independently of the company's shareholders. In addition, one board member and one observer have been elected from among the company's employees. None of these members are part of the company's management. The board members represent both industry-specific expertise and professional expertise from national and international companies.

According to North Energy's understanding, all board members are independent of the company's management and essential business associates. At present, three of the board members own shares in North Energy directly or indirectly. None of the board members possess options to buy more shares.

9. Work of the Board of Directors

The work of the Board of Directors is governed by the rules of procedure for the Board of Directors. In principle, this work consists of supervising North Energy, including establishment of the company's strategy and overall objectives, adopting action programmes and ensuring a prudent organisation of the business activities in accordance with the company's Articles of Association. The Board of Directors can also establish guidelines for the business activities and issue instructions on individual matters. The Board of Directors shall safeguard North Energy's interests as a whole and not act as individual shareholders.

There is a clear division of responsibility between the Board of Directors and the day-to-day management. The Chief Executive Officer is responsible for the operational management of the company and reports regularly to the Board of Directors.

The management is responsible for the preparation of items for inclusion on the agenda for board meetings. It was resolved in 2010 that the duties of the Audit Committee would be performed directly by the Board of Directors.

The Board of Directors evaluates its work, competence and performance on an annual basis.

A total of 13 board meetings were held in 2010 and attendance at these meetings varied between 75 and 100 per cent.

10. Risk management and internal controls

North Energy's business activities are subject to a management system that encompasses all areas within which the company operates. The management system is divided into three levels. Level 1 describes the company's visions, goals, strategies and organisation. Level 2 describes business processes, while level 3 describes the necessary work instructions and other specified supporting documentation. Throughout 2010 North Energy has focused in particular on updating the management system and governing documentation.

The company's management team monitors, on a daily basis, situations in which the company has a financial risk and reports on this to the Board of Directors. Exceptions are systematically monitored and corrective measures are implemented.

The company's reports to the Board of Directors stress both the ongoing risk associated with the day-to-day operations and risk associated with the investment opportunities that are presented. In addition to the management's assessments of the risk areas to which the company is exposed, the auditor's assessments are also presented to the Board of Directors.

11. Remuneration of the Board of Directors

The Nomination Committee submits a proposal for the remuneration of the board members to the General Meeting. This proposal takes into consideration the responsibilities, qualifications, consumption of time and complexity. None of the board members have duties in the company apart from that which is evident from this report.

12. Remuneration of senior executives

The Board of Directors stipulates the Chief Executive Officer's salary, taking into consideration the responsibilities, qualifications, complexity and results achieved. The Board of Directors also establishes the principles for the remuneration of the company's other senior executives, and these principles are reported to the General Meeting. All employees have the same performance-based bonus scheme. Further information is provided in the notes to the annual financial statements.

13. Information and communication

North Energy keeps shareholders and investors informed of the company's commercial and financial status on a regular basis. The requirements pertaining to such information have increased because of the company's stock exchange listing

and expansion of the body of shareholders. The Board of Directors is concerned about ensuring that the players on the stock market receive the same information at the same time, and all financial and commercial information will therefore be made available on the company's website. Stock exchange notices will be distributed via Hugin at www.newsweb.no.

North Energy's annual financial statements will be made available on the company's website at least three weeks prior to the General Meeting. Quarterly reports will be published no later than 2 months after the end of the quarter. Quarterly presentations will be broadcast directly on the Internet. North Energy publishes an annual financial calendar that is available on the Oslo Børs website.

The Board of Directors stresses the importance of openness and equal treatment in relation to all the players in the market and strives always to provide as true and fair picture of the company's financial position as possible.

14. Company takeover

North Energy's Articles of Association do not contain any limitations or defence mechanisms as regards acquisition of the company's shares. In accordance with its general responsibility for the supervision of North Energy, the Board of Directors will act in the best interests of all of the company's shareholders in a situation of this type.

15. Auditor

The annual financial statements are audited. The Board of Directors receives and reviews reports from the auditor after the financial statements for the year in question have been audited. The auditor submits an annual plan for the auditing work and participates in board meetings in which the review of accounts requires the presence of the auditor. At at least one of these meetings, the auditor will report to the Board of Directors without the presence of the management. The auditor submits a declaration of his independence and objectivity. The Board of Directors reviews this to ensure that the auditor satisfies the requirements for a satisfactory and independent control function. The Board of Directors submits the auditor's report to the General Meeting, which also approves the auditor's fees.

Alta, 12 April 2011

Johan Petter Barlindhaug Styreleder	Leif Finsveen Styremedlem	Kristin Ingebrigtsen Styremedlem
Arnulf Østensen Styremedlem	Ole Njærheim Styremedlem	Hans Kristian Rød Styremedlem
Heidi Petersen Styremedlem	Guri Ingebrigtsen Styremedlem	Jørn Olsen Styremedlem
Erik Karlstrøm Administrerende direktør		

Annual financial statements and notes North Energy Group

CONSOLIDATED INCOME STATEMENT

(NOK 1 000)	Note	2010	2009
Payroll and related cost	5	-62 149	-62 370
Depreciation and amortisation	17	-4 593	-3 414
Exploration expenses	18	-179 049	-113 098
Other operating expenses	6	-43 445	-28 752
Operating profit		-289 236	-207 633
Finance income	19	9 464	4 300
Finance costs	19	-4 740	-5 113
Net financial items		4 724	-813
Profit before income tax		-284 512	-208 446
Income tax credit	16	221 596	144 029
Profit for the year		-62 916	-64 417
Earnings per share (NOK per share)			
- Basic	14	-2.67	-8.07
- Diluted	14	-2.67	-8.07

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(NOK 1 000)	Note	2010	2009
Profit for the year		-62 916	-64 417
Other comprehensive income, net of tax:			
Actuarial gains/-losses pension	22	-932	166
Total other comprehensive income, net of tax		-932	166
Total comprehensive income for the year		-63 848	-64 250

CONSOLIDATED BALANCE SHEET

(NOK 1 000)	Note	31-12-10	31-12-09
ASSETS			
Non-current assets			
Property, plant and equipment	17	16 167	13 387
Capitalised exploration and license costs	18	128 214	9 382
Other receivables	7	17 528	9 782
Total non-current assets		161 909	32 551
Current assets			
Prepayments and other receivables	8	37 926	15 118
Tax receivable refund tax value exploration expenses	16	347 532	148 960
Financial assets	9	4 674	0
Cash and cash equivalents	9	86 015	45 671
Total current assets		476 147	209 748
Total assets		638 056	242 299

(NOK 1 000)	Note	31-12-10	31-12-09
EQUITY AND LIABILITIES			
Equity			
Share capital	10	25 150	9 201
Share premium		606 141	233 573
Other paid-in capital		29 570	26 999
Retained earnings		-180 685	-116 837
Total equity		480 176	152 935
Liabilities			
Non-current liabilities			
Pension liabilities	22	15 346	6 110
Deferred tax	16	45 791	0
Total non-current liabilities		61 137	6 110
Current liabilities			
Current borrowings	12	0	45 000
Trade creditors		47 185	16 949
Other current liabilities	13	49 559	21 305
Total current liabilities		96 743	83 254
Total liabilities		157 880	89 364
Total equity and liabilities		638 056	242 299

Alta, 12 april 2011

Johan Petter Barlindhaug
Chairman

Kristin Ingebrigtsen
Board member

Ole Njærheim
Board member

Guri Helene Ingebrigtsen
Board member

Leif W. Finsveen
Board member

Arnulf Østensen
Board member

Hans Kristian Rød
Board member

Heidi Marie Petersen
Board member

Jørn Olsen
Board member

Erik Karlstrøm
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(NOK 1 000)	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1st of January 2009		5 811	147 639	8 080	-52 588	108 943
Transactions with owners:						
Share issues		3 390	94 319	0	0	97 709
Share issue expenses		0	-5 442	0	0	-5 442
Underwriters warrants		0	-2 944	2 944	0	0
Share-based payment, warrants	11	0	0	13 308	0	13 308
Share-based payment, bonus shares	5	0	0	2 667	0	2 667
Comprehensive income:						
Total compehensive income for 2009		0	0	0	-64 250	-64 250
Equity at 31st of December 2009		9 201	233 573	26 999	-116 837	152 935
Equity at 1st of January 2010		9 201	233 573	26 999	-116 837	152 935
Transactions with owners:						
Share issues		15 949	390 664	0	0	406 612
Share issue expenses (net after tax)		0	-18 095	0	0	-18 095
Share-based payment, bonus shares	5	0	0	2 571	0	2 571
Comprehensive income:						
Total compehensive income for 2010		0	0	0	-63 848	-63 848
Equity at 31st of December 2010		25 150	606 141	29 570	-180 685	480 176

CONSOLIDATED CASH FLOW STATEMENT

(NOK 1 000)	Note	2010	2009
Cash flow from operating activities			
Profit before income tax		-284 512	-208 446
Adjustments:			
Tax refunded	16	160 727	98 221
Depreciation	17	4 593	3 414
Impairment capitalised exploration expenses	18	52 016	0
Pensions		2 778	1 262
Expensed share-based payment recognised in equity		2 571	15 975
Changes in trade creditors		30 235	11 237
Changes in other accruals		-508	-2 491
Net cash flow from operating activities		-32 099	-80 827
Cash flow from investing activities			
Purchase of property, plant and equipment	17	-7 076	-1 204
Purchase of intangible assets	16, 18	-232 372	-11 529
Aquisition of subsidiary, net cash inflow		30 931	0
Changes in other non-current receivables	7	-5 520	-2 079
Net cash flow from investing activities		-214 038	-14 811
Cash flow from financing activities			
Borrowings/repayments of current borrowings	12	-45 000	35 711
Proceeds from share issues		331 481	92 267
Net cash flow from financing activities		286 481	127 978
Net change in cash and cash equivalents		40 344	32 340
Cash and cash equivivalents at 1st of January	9	45 671	13 331
Cash and cash equivivalents at 31st of December	9	86 015	45 671

NOTES

Note 1 General information

The consolidated financial statements of North Energy were approved by the board of directors and CEO at 12 April 2011.

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

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

Note 2 Summary of significant accounting policies

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

2.1 Basis for preparation

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

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

2.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group, but currently without any impact on the financial statements

- IFRS 3 Business Combinations (revised) and consequential amendments to IAS 27 Consolidated and separate financial statements (revised), IAS 28 Investments in associates, and IAS 31 Interests in joint Ventures
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfers of assets from customers
- IFRIC 9 Reassessment of embedded derivates and IAS 39 Financial instruments: Recognition and measurement
- IFRIC 16 Hedges of a net investment in a foreign operation
- IAS 38 Intangible Assets (amendment)
- IAS 1 Presentation of Financial Statements (amendment)
- IAS 36 Impairment (amendment)
- IFRS 2 Share-based Payment (amendment): Group Cash-settled Share-based Payment
- IFRS 5 Non-current assets held for sale and discontinued operations (amendment)

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

- IFRS 9 Financial Instruments (new)
- IAS 24 Related party disclosures (revised)
- IAS 32 Financial instruments: Presentation (amendment): Classification of rights issues
- IFRIC 19 Extinguishing financial liabilties with equity instruments
- IFRIC 14 Prepayments of a minimum funding requirement (amendment)
- IFRS 7 Financial Instruments: Disclosures (amendment)
- Improvements to IFRSs

These standards and interpretations are not expected to have any material impact on the financial statements.

2.3 Basis of consolidation

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

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

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

2.4 Foreign currency

Functional currency and presentation currency
The Group's presentation currency is Norwegian kroner (NOK). This is also the Parent company's and the subsidiary's functional currency.

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

2.5 Property, plant and equipment

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

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

2.6 Intangible assets

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

Capitalised costs of acquiring licenses and capitalised costs of drilling exploration wells are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher if the asset's fair value less costs required to sell the asset and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. The difference between the assets carrying amount and its recoverable amount is recognised in the in income statement as impairment.

2.7 Farm in and Farm out in the exploration phase

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

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

2.8 Interests in Joint Ventures

The Group's investments in joint ventures, including jointly controlled operations (oil and gas licenses), are accounted for by recognising the company's share of the joint ventures' individual income, expenses, assets, liabilities and cash flows. Each item is classified and presented in its respective line-items in the financial statements.

2.9 Leases (as lessee)

Financial leases
Leases where the Group assumes most of the risk and rewards of ownership, are classified as financial leases. The Group does not have any such leases.

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

2.10 Receivables

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

2.11 Cash and cash equivalents

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

2.12 Borrowings

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

2.13 Taxes

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

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

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

2.14 Pension plans

Pension plans are financed through payments to insurance companies, and are determined based on periodic actuary estimates. The Group has a defined benefit plan. This is a pension plan which defines the pension payment that the employee will receive when retiring. The pension payment is generally influenced by one or several factors, such as age, years of service and salary.

The recognised liability is the present value of the defined benefits on the balance sheet date less the fair value of the plan assets, adjusted for unrecognised variances in estimates and any unrecognised costs linked to previous periods pension earnings. The pension liability is estimated yearly by an independent actuary, based on a linear method. The present value of the defined benefits is determined by discounting the estimated future payments by the interest of an obligation issued by a company with high credit-rating in the same currency as in the benefit will be paid, and within the terms approximately equal to the terms of the related pension liability.

Variances in estimates due to new information or changes in actuary assumptions are recognised directly in the equity through the statement of comprehensive income in the period in which they arise.

Changes in the benefits of the pension plan are recognised immediately in the income statement,
unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the costs of changed benefits are amortised on a straight-line basis over the vesting period.

2.15 Share-based payment

The Group has share-based payment consisting of bonus shares as part of the Group's general bonus programme for employees. The Group also had share-based payment consisting of warrants granted to CEO and other employees of the management. All programs are equity-settled.

Fair value of the bonus shares are charged to expenses. The Group recognises a corresponding increase in equity, classified as other paid-in capital.

Fair value of the warrants was estimated on the grant date and charged to expenses over the vesting period. The Group recognised a corresponding increase in equity, classified as other paid-in capital.

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

The Group recognises a provision and an expense for severance payment when there exists an legal obligation to pay severance payment.

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

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

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

The calculation of diluted earnings per share is consistent with the calculation of the basic earnings per share, but gives at the same time effect to all dilutive potential ordinary shares that were outstanding during the period, by adjusting the profit/loss and the weighted average number of shares outstanding for the effects of all dilutive potential shares, i.e.:
- The profit/loss for the period attributable to ordinary shares is adjusted for changes in profit/loss that would result form the conversion of the dilutive potential ordinary shares.
- The weighted average number of ordinary shares is increased by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary.

2.19 Segment reporting
The Group's only business segment is exploration for oil and gas on the Norwegian continental shelf

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

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

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

Note 3 Financial risk management

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

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

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

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

The Group has a revolving credit facility which entitles the Group a loan up to MNOK 300. Interest rate is NIBOR+1,1%. The loan is secured by a pledge in tax receivables from refund according to the Norwegian Petroleum Tax Act and the interests in production licences which the company at any time has. The Group has no other interest-bearing borrowings.

Sensitivity analysis:
Interest rate sensitivity is calculated based on exposure to interest bearing debt on the balance sheet date.
2010: The Group is not exposed to interest bearing debt at 31.12.2010.
2009: If NIBOR would have been 50 basis points higher/lower, the Group's profit after tax would have been TNOK 162 lower/higher.

(c) Liquidity risk
Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The Group's financial liabilities are short term and fall due within 0 - 6 months.

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

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

The Group monitors it's capital structur using a equity ratio, which is total equity divided by total assets. As at 31 December 2010 the equity ratio was 75,3% (63,1% as at 31 December 2009).

Note 4 Critical accounting estimates and judgements

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

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

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

a) Tax receivable from refund tax value exploration expenses
The Norwegian taxation authorities may have a different understanding than the company regarding the definition of indirectly exploration expenses according to the Norwegian Petroleum Tax Act. See note 16.

b) Deferred tax/tax assets
Most critical estimates influencing carrying amount is related to valuations/judgement of utilization of deferred tax assets. See note 16.

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

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

Other pension assumptions are partly based on market terms. Additional information is presented in note 22.

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

a) Accounting policy for exploration expenses
The Group uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred.

Note 5 Payroll and related cost, remuneration to board of directors and management

Amounts in NOK 1 000	2010	2009
Salaries	42 738	36 561
Share-based payment, bonus shares	2 571	2 667
Share-based payment, warrants	0	4 934
Payroll tax	2 848	2 325
Pension costs (see note 22)	9 693	9 503
Other benefits	4 298	6 380
Total	62 149	62 370
Average number of employees	42,7	37,0

Remuneration to board of directors and management in 2010:

Amounts in NOK 1 000	Director's fees	Salaries	Bonus	Pension	Other *
Management					
Erik Karlstrøm (CEO)		3 130	644	3 067	1 562
Knut Sæberg (CFO)		1 996	263	212	19
Svein Johansen (Exploration Manager)		1 590	179	542	25
Astrid M. Tugwell (Development Manager)		1 315	169	137	19
Lars Tveter (Manager HSE)		1 168	200	360	94
Vigdis Wiik Jakobsen (Portfolio Manager)		1 526	97	186	19
Marion Høgmo (Administration Manager)		874	160	79	21
Tore Henrik Guldbrandsøy (Manager Business Development)		1 216	435	220	15
Siw Sandvik (Communication Manager) **		292	0	41	5
Board of directors					
Johan P. Barlindhaug (Chairman)	420				
Kristin Ingebrigtsen (Board member)	180				
Ole Njærheim (Board member)	0				
Guri Helene Ingebrigtsen (Board member)	180				
Leif W. Finsveen (Board member)	180				
Arnulf Østensen (Board member)	180				
Hans Kristian Rød (Board member)	156				
Heidi Marie Petersen (Board member)	0				
Jørn Olsen (Board member)	0				
Harriet Hagan (former Board member)	168				
Eirik F. Hansen (former Board member)	180				
Total	1 644	13 107	2 148	4 845	1 776

(*) Other include benefit from free car, loan interest rate benefit, allowances to cover telephone and internet, training fee, group life insurance and travel insurance. In addition, for Erik Karlstrøm other include benefit from acquisition of shares at discounted price in connection with exercise of warrants.
(**) Employed from 01.10.2010

Remuneration to CEO:

The company's CEO has an agreement with an annual salary of NOK 2,56 million. Other benefits include free car, loan interest rate benefit, and regular allowances to cover telephone, internet, training fee, pension, group life insurance and travel insurance. In addition, he is included in the company's general employee bonus program as determined by the board of directors. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 on cash and bonus shares, where the cash bonus is earned first. In case of resignation at the request of the board of directors, CEO has a right to a severance payment equivalent with 2 years gross fixed salary. If CEO resigns, there is no severance payment. CEO has further an early retirement pension scheme from the age of 62 until the ordinary retirement age (67 years), where the pension is 67% of final salary paid. See note 11 for information about CEO's former subscription rights.

Bonus program:

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

Severance payment:

CEO and CFO have agreements covering severance payment. In case of resignation at the request of the board of directors, they have the right to a severance payment equivalent with 2 years gross fixed salary.

Warrants:

See note 11 for information about former warrants for CEO and other employees of the management.

Information about loan to employees 2010:

Amounts in NOK 1 000	loan at 31.12.10	Maturity	Interest rate
Loan to Erik Karlstrøm	1 546	10 years	2 %
Loan to other employees	9 964	20 years	2 % *
Total	11 510		

(*) NOK 0,45 million of the loans to other employees has interest rate of 6 %, while remaining loans have interest rate of 2 %.

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

Remuneration to board of directors and management in 2009:

Amounts in NOK 1 000	Director's fees	Salaries *	Bonus	Pension	Other **
Management					
Erik Karlstrøm (CEO)		3 671	408	3 078	791
Astrid M. Tugwell (Development Manager)		1 280	183	192	332
Svein Johansen (Exploration Manager Norwegian Sea)		1 593	250	583	256
Lars Tveter (Manager HSE)		1 241	163	410	325
Torleiv Agdestein (Chief Geologist)		1 362	93	218	346
Knut Aaneland (Manager of Technology & Business dev.)		1 295	133	358	255
Vigdis Wiik Jakobsen (Exploration Manager Barents Sea)		1 471	131	289	883
Marion Høgmo (Administration Manager)		845	98	104	19
Knut Sæberg (CFO)		1 583	0	304	15
Board of directors					
Johan P. Barlindhaug (Chairman)	220				
Leif W. Finsveen (Board member)	110				
Harriet Hagan (Board member)	110				
Eirik F. Hansen (Board member)	110				
Kristin Ingebrigtsen (Board member)	110				
Hans Kristian Rød (Board member)	110				
Arnulf Østensen (Board member)	0				
Guri Helene Ingebrigtsen (Board member)	0				
Anna M. Aursund (former Board member)	110				
Total	880	14 341	1 459	5 536	3 223

(*) Erik Karlstrøm has an agreement with an annual salary of NOK 2,45 million. In 2009 it has been paid salary to Erik Karlstrøm for 2007 and 2008 in connection with a salary increase in 2009 with effect from 1 November 2007.
(**) Other include benefit from free car, loan interest rate benefit, benefit from free housing, allowances to cover telephone and internet, group life insurance, travel insurance and benefit from acquisition of shares at discounted price in connection with exercise of warrants.

Information about loan to employees 2009:

Amounts in NOK 1 000	loan at 31.12.09	Maturity	Interest rate
Loan to Erik Karlstrøm	1 735	10 years	2 %
Loan to Torleiv Agdestein	1 892	20 years	2 %
Loan to other employees	2 363	20 years	2 % *
Total	5 989		

(*) NOK 0,45 million of the loans to other employees have interest rate of 6 %, while remaining loans have interest rate of 2 %.

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

The board of director's declaration regarding determination of salary and other remuneration to management employees

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

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

Total remuneration to management employees include:

(1) Market based fixed salary.
(2) Bonus. The management is included in the company's general employee bonus program. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 on cash and bonus shares, where the cash bonus is earned first. The bonus is linked to the achievement of specified parameters for each of the executive management's area of responsibility. Both financial and non-financial parameters are used.
(3) Pension and insurance. The management is included in the company's general pension and insurance scheme. CEO has in addition an early retirement pension scheme from the age of 62 until the ordinary retirem ent age (67 years), where the pension is 67% of last annual salary.
(4) Severance payment. CEO and CFO have agreements covering severance payment. In case of resignation at the request of the board of directors, they have the right to a severance payment equivalent with 2 years gross fixed salary.
(5) Warrants granted.
(6) Other benefits such as free car, loan interest rate benefit, and regular allowances to cover telephone, internet, training fee and travel insurance.

Note 6 Other operating expenses and remuneration to auditor

Other operating expenses include:

Amounts in NOK 1 000	2010	2009
Travelling expenses	6 300	5 084
Lease expenses (see note 21)	6 445	4 382
Consultant's and other fees	8 898	4 451
Advertising costs	3 967	3 578
Other administrative expenses	17 836	11 257
Total	43 445	28 752

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	2010	2009
Audit	461	75
Tax assistance	0	49
Attestations	102	91
Legal assistance	0	71
Accounting assistance	24	778
Due diligence, prospectus	215	1 167
Total, excl. VAT	803	2 230

Note 7 Other non-current receivables

Other non-current receivables include:

Amounts in NOK 1 000	2010	2009
Loan to employees (note 5 and 15)	11 510	5 989
Deposit	424	421
Pension assets (note 22)	5 594	3 372
Total	17 528	9 782

Note 8 Prepayments and other receivables

Prepayments and other receivables include:

Amounts in NOK 1 000	2010	2009
Prepaid expenses	3 137	2 960
VAT receivable	4 372	4 138
Receivables, Joint Ventures	30 417	8 013
Other items	0	7
Total	37 926	15 118

Note 9 Cash and cash equivalents and financial assets

Cash and cash equivalents:

Amounts in NOK 1 000	2010	2009
Bank deposits	86 015	45 671
Total cash and cash equivalents	86 015	45 671
Of this:		
Restricted cash for witheld taxes from employees salaries	3 012	3 250
Restricted cash on escrow account	0	10 000

(*) Amount paid to an escrow account in 2009 in connection with acquisition of interest in license PL433. The amount has been released after the first drilling completed in 2010.

Financial assets:

Amounts in NOK 1 000	2010	2009
Investment in money market fund	4 674	0
Total financial assets	4 674	0

Note 10 Share capital and shareholder information

	2010	2009
Number of outstanding shares at 1 January	9 200 970	581 122
New shares issued during the year:		
Issued in exchange for cash	14 061 974	338 975
Issued as consideration at acquisition of 4sea energy AS	1 886 792	0
Total number of outstanding shares before share split 1:10	25 149 736	920 097
Share split 1:10 in December 2009	0	9 200 970
Number of outstanding shares at 31 December	25 149 736	9 200 970
Nominal value NOK per share at 31 December	1	1
Share capital NOK at 31 December	25 149 736	9 200 970

North Energy has one class of shares with equal rights for all shares. No dividends have been proposed or paid in 2009 or 2010. Refer to note 11 for number of outstanding warrants.

Main shareholders as of 31 December 2010:

Shareholder	Number of shares	% Share
UBS AG, London Branch	2 446 500	9.73 %
SKS Eiendom AS	1 824 920	7.26 %
JPB AS	1 350 000	5.37 %
Origo Kapital AS	1 248 100	4.96 %
Onshore Group Nordland AS	933 340	3.71 %
IHM Holding AS	739 929	2.94 %
Skandinaviska Enskilda Banken	645 300	2.57 %
Kapnord Fond AS	640 000	2.54 %
Alta Kraftlag AL	600 230	2.39 %
The Northern Trust Co.	564 900	2.25 %
IKM Industri-Invest AS	545 648	2.17 %
State Street Bank & Trust Co.	536 008	2.13 %
Morgan Stanley & Co. Internat. Plc	531 227	2.11 %
Ninerik AS	516 735	2.05 %
Bank Of New York Mellon SA/NV	500 000	1.99 %
Caceis Bank	484 670	1.93 %
The Northern Trust Co.	442 204	1.76 %
DnB NOR SMB	435 000	1.73 %
Leonhard Nilsen & Sønner AS	431 210	1.71 %
First Securities AS	425 000	1.69 %
Total 20 largest shareholders	15 840 921	62.99 %
Other shareholders	9 308 815	37.01 %
Total	25 149 736	100.00 %

Number of shares owned by management and Board of directors at 31 December 2010:

Management		
Erik Karlstrøm (CEO), directly and through Ninerik AS	629 543	2.50 %
Knut Sæberg (CFO)	16 500	0.07 %
Svein Johansen (Exploration Manager)	38 210	0.15 %
Astrid M. Tugwell (Development Manager)	36 012	0.14 %
Lars Tveter (Manager HSE)	37 615	0.15 %
Vigdis Wiik Jakobsen (Portfolio Manager)	41 000	0.16 %
Marion Høgmo (Administration Manager)	5 039	0.02 %
Board of directors		
Johan P. Barlindhaug (Chairman), through JPB AS	1 350 000	5.37 %
Arnulf Østensen (Board member)	10 000	0.04 %
Jørn Olsen (Board member)	2 886	0.01 %
Total	2 166 805	8.62 %

Main shareholders as of 31 December 2009:

Shareholder	Number of shares	% Share
1 JPB AS	1 336 610	14.53 %
2 Origo Kapital AS	1 248 100	13.56 %
3 SKS Eiendom AS	1 138 210	12.37 %
4 Onshore Group Nordland	813 334	8.84 %
5 Kapnord Fond AS	640 000	6.96 %
6 Alta Kraftlag AL	600 230	6.52 %
7 Perpetuum Invest AS	478 670	5.20 %
8 Nilsen & Sønner AS	431 210	4.69 %
9 Helgeland Vekst AS	315 000	3.42 %
10 Petroinvest Nord AS C/O Helgeland Vekst	296 800	3.23 %
11 Oljeinvest AS	200 000	2.17 %
12 Sør-Varanger Invest	180 160	1.96 %
13 Helgelandsbase AS	133 330	1.45 %
14 Nord Troms Kraftlag	122 920	1.34 %
15 Elektro A/S	120 006	1.30 %
16 Karlstrøm Erik	97 400	1.06 %
17 Harald Nilsen AS ENT	93 360	1.01 %
18 Repvåg Kraftlag	91 430	0.99 %
19 Nordkyn Kraftlag AL	81 000	0.88 %
20 Strøm Invest AS	80 000	0.87 %
Total 20 largest shareholders	8 497 770	92.36 %
Other shareholders	703 200	7.64 %
Total	9 200 970	100.00 %

Number of shares owned by management and Board of directors at 31 December 2009:

Management		
Erik Karlstrøm (CEO)	97 400	1.06 %
Torleiv Agdestein (Chief Geologist)	32 250	0.35 %
Svein Johansen (Exploration Manager Norwegian Sea)	32 350	0.35 %
Astrid M. Tugwell (Development Manager)	32 350	0.35 %
Lars Tveter (Manager HSE)	32 700	0.36 %
Knut Aaneland (Manager of Technology & Business development)	33 600	0.37 %
Vigdis Wiik Jakobsen (Exploration Manager Barents Sea)	36 500	0.40 %
Marion Høgmo (Administration Manager)	1 500	0.02 %
Board of directors		
Johan P. Barlindhaug (Chairman), through JPB AS	1 336 610	14.53 %
Total	1 635 260	17.77 %

Note 11 Warrants

Of the outstanding subscription rights at 31 December 2009 related to share-based payment for CEO and and six other employees of the management, 516,735 of these subscription rights were exercised within the expiry date in February 2010 by Ninerik AS, a company controlled by CEO Erik Karlstrøm. Average subscription price was approx. NOK 12.70 per share. The remaining of these subscription rights expired 17 February 2010.

Of the outstanding subscription rights for shareholders at 31 December 2009, all 1,400,520 subscription rights were exercised in February 2010. The subscription price was NOK 21.20 per share.

At 31 December 2010 there are no outstanding subscription rights.

The company had entered into a contract with the CEO and six other employees of the management, which gave them the right to subscribe for shares in the company.

CEO had the right to subscribe for shares such that he would own up to 2.5% of the outstanding shares in the company following the public share issue in connection with the listing on Oslo Axess. The subscription price per share was NOK 25 for shares bringing his shareholding up to 1.5% and NOK 0,10 for shares bringing his shareholding from 1.5% to 2.5%. Expiry date for the warrants was 17 February 2010. The exercise was subject to employment at the time of exercise of the warrants. A 3 years lock-in period for the shares subscribed according to the above applies.

The other six employees of the management had the right to subscribe for shares such that they would own up to 0.5% of the outstanding shares in the company following the public share issue in connection with the listing on Oslo Axess. The subscription price per share was NOK 25. Expiry date for the warrants was 17 February 2010. The exercise was subject to employment at the time of exercise of the warrants. A 3 years lock-in period for the shares subscribed according to the above applies.

All warrants at 31 December 2009 were equity-settled.

See note 5 for total expenses in the income statement arising from warrants granted to employees.

Movement in estimated number of outstanding warrants for employees and average subscription price:

	2010		2009	
	Estimated number of warrants	Average subscription price NOK per share	Estimated number of warrants	Average subscription price NOK per share
Outstanding warrants at 1 January	941 827	19.04	812 690	17.37
Warrants granted	0		237 717	19.01
Warrants forfeited	0		0	
Warrants exercised	-516 735	12.70	-108 580	6.43
Warrants expired	-425 092	25.00	0	
Outstanding warrants at 31 December	0		941 827	19.04

Weighted average fair value for warrants granted in 2009 was NOK 17.23 per warrant.

The fair value of the warrants has been estimated using Black & Scholes option-pricing model, based on the following assumptions:

Share price on the grant date:
The share price is estimated to NOK 25 – NOK 32.

Expected volatility:
The expected volatility is stipulated to be 60%. This is based on observations on comparable companies on the Oslo Stock Exchange since the company was not listed at the grant dates.

Weighted average expected term years:
Weighted average expected term years is 0.61 years for warrants granted in 2009 and 0.58 years for warrants granted in 2008.

Expected dividend yield:
The expected dividend per share is NOK 0 per annum

Expected risk-free interest rate:
The risk-free interest rate assumed when calculating fair value of the warrants is equal to the interest rate on government bonds during the term of the warrants (1.86% – 6.04%).

Note 12 Current borrowings

Current borrowings include:

Amounts in NOK 1 000	2010	2009
Revolving credit facility ('Exploration loan' with limit MNOK 300)	0	45 000
Balance 31 december	0	45 000

In 2009 North Energy ASA entered into a revolving credit facility agreement which entilted the company a loan up to NOK 300 million. The loan is secured by a pledge in tax receivables from refund according to the Norwegian Petroleum Tax Act and the interests in production licences which the company at any time has. Interest rate was NIBOR + 1.1%. In December 2010 the Group has renewed and expanded its exploration loan facility from NOK 300 million to NOK 760 million. Interest rate is NIBOR + 2%.

Note 13 Other current liabilities

Amounts in NOK 1 000	2010	2009
Public duties payable	3 475	3 760
Accruals, Joint Ventures	25 657	3 037
Vacation pay and bonus payable	10 719	9 105
Other accruals for incurred costs	9 708	5 403
Total	49 559	21 305

Note 14 Earnings per share

	2010	2009
Profit for the year (NOK 1 000)	-62 916	-64 417
Weighted average number of shares outstanding	23 554 223	7 978 807
Earnings per share (NOK per share)		
- Basic	-2.67	-8.07
- Diluted	-2.67	-8.07

The dilution effect of potentially shares from warrants, is in accordance with IAS 33.41 not presented in the income statement, as the exercise of warrants would have reduced loss per share. Refer to note 11 for number of outstanding warrants.

Note 15 Related parties

The company's transactions with related parties:

Amounts in NOK 1 000

(a) Purchases of services

Purchase of services from	Description of services	2010	2009
Origo Nord AS (management company for shareholder Origo Kapital AS)	HR and other administrative services	0	186
Origo Økonomipartner AS (100% owned by Origo Nord AS, who is management company for shareholder Origo Kapital AS)	Accounting services	155	450
Origo Nord AS (management company for shareholder Origo Kapital AS)	Information-, web- and consulting services	56	150
Barlindhaug Consult AS (controlled by Chairman Johan Petter Barlindhaug)	Consulting services	51	25

Services are purchased at market terms.

(b) Remuneration to management and Board of directors

Refer to note 5 and note 11

(c) Loans to related parties

See note 5 for information about loans to management.

(d) Overview of subsidiaries

The following subsidiaries are included in the consolidated financial statements:

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

Note 16 Tax

Specification of income tax:

Amounts in NOK 1 000	2010	2009
Calculated refund tax value of exploration costs this year	347 728	153 841
Of this refund not recognised in income statement (acquisition of licenses recognised net of tax)	-67 258	-2 147
Correction refund previous years	-2 627	-7 664
Change deferred tax in balance	-45 791	0
Of this deferred tax asset not recognised in income statement (acquisition of licenses recognised net of tax)	-115	0
Of this deferred tax asset related to items in comprehensive income recognised in comprehensive income	-3 304	0
Of this deferred tax asset related to equity transactions recognised directly in equity	-7 037	0
Total income tax credit	221 596	144 029

Specification of tax receivable refund tax value exploration expenses:

Amounts in NOK 1 000	31-12-10	31-12-09
Calculated refund tax value of exploration costs this year	348 289	153 841
Correction refund previous years, assessed but not settled	-4 881	0
Correction refund previous years, not yet assessed	0	-4 881
Correction refund previous years, assessed but appealed	4 124	0
Total tax receivable refund tax value exploration expenses	347 532	148 960

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

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

Amounts in NOK 1 000	31-12-10	31-12-09
Property, plant and equipment	4 279	3 992
Capitalised exploration and license costs	121 748	8 776
Financial assets	97	0
Pensions	-9 752	-2 738
Other current liabilities	0	-100
Tax losses carried forward, onshore	-37 327	0
Tax losses carried forward, offshore only 28% basis	-31 308	-6 480
Tax losses carried forward, offshore only 50% basis	-870	-854
Tax losses carried forward, offshore both 28% and 50% basis	-64 614	-25 759
Total basis for deferred tax	-17 746	-23 163
Deferred tax liability (-) / tax asset (+)	-20 668	14 592
Not capitalised deferred tax asset (valuation allowance) *	-25 124	-14 592
Deferred tax liability (-) / tax asset (+) in balance	-45 791	0

(*) Not capitalised deferred tax asset is mainly related to onshore tax loss carried forward and offshore tax losses carried forward in subsidiary 4sea energy AS.

Reconciliation of effective tax rate:

Amounts in NOK 1 000	2010	2009
Profit before tax	-284 512	-208 446
Expected income tax credit 78%	221 919	162 588
Adjusted for tax effects (28% - 78%) of the following items:		
Permanent differences	-18 298	-9 510
Correction previous years	-57	-8 645
Interest on tax losses carried forward offshore	448	0
Finance items	2 555	-2 960
Change in valuation allowance for deferred tax assets and other items	15 028	2 556
Total income tax credit	221 596	144 029

Note 17 Property, plant and equipment

Amounts in NOK 1 000	Equipment, office machines etc.
2010	
Cost:	
At 1.1.2010	18 877
Additions - acquired separately	7 076
Additions - acquired through acquisition of subsidiary 4sea energy AS	298
Disposals	0
At 31.12.2010	26 250
Depreciation and impairment:	
At 1.1.2010	-5 489
Depreciation this year	-4 593
Impairment this year	0
Disposals	0
At 31.12.2010	-10 082
Carrying amount at 31.12.2010	16 167

Amounts in NOK 1 000	Equipment, office machines etc.
2009	
Cost:	
At 1.1.2009	17 673
Additions	1 204
Disposals	0
At 31.12.2009	18 877
Depreciation and impairment:	
At 1.1.2009	-2 075
Depreciation this year	-3 414
Impairment this year	0
Disposals	0
At 31.12.2009	-5 489
Carrying amount at 31.12.2009	13 387
Economic life	3-10 years
Depreciation method	linear

Note 18 Capitalised and expensed exploration and license costs

(a) Capitalised exploration and license costs

Amounts in NOK 1 000	Capitalised exploration and license costs
2010	
Cost:	
At 1.1.2010	9 382
Additions - capitalised exploration and license costs *	164 999
Additions - through acquisition of subsidiary 4sea energy AS **	5 849
Disposals ***	-52 016
At 31.12.2010	128 214
Amortisation and impairment:	
At 1.1.2010	0
Amortisation this year	0
Impairment this year ***	52 016
Disposals ***	-52 016
At 31.12.2010	0
Carrying amount at 31.12.2010	128 214

(*) Additions are mainly related to drilling of exploration well in license PL 433 where North Energy in addition to own share of 12 % carry 8 % of all expenses, and acquisition cost of license PL 341 recognised net of tax together with drilling of exploration well in license PL 341, where North Energy in addition to own share of 11 % carry 7 % of the drilling expenses for the first well.
(**) Additions include mainly license PL 498 (25 % share) and PL 503 (25 % share).
(***) Disposals are related to impairment of capitalised expenses in license PL 341 due to dry well result.

Amounts in NOK 1 000	Capitalised exploration and license costs
2009	
Cost:	
At 1.1.2009	0
Additions – capitalised exploration and license costs ****	9 382
Disposals	0
At 31.12.2009	9 382
Amortisation and impairment:	
At 1.1.2009	0
Amortisation this year	0
Impairment this year	0
Disposals	0
At 31.12.2009	0
Carrying amount at 31.12.2009	9 382

(****) Additions in 2009 are mainly related to drilling of exploration well in license PL 433 where North Energy in addition to own share of 12 % carry 8 % of all expenses, and acquisition cost of license PL 433 recognised net of tax.

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

(b) Expensed exploration and license costs

Specification of expensed exploration and license costs:

Amounts in NOK 1 000	2010	2009
Share of exploration expenses from participation in licenses, incl. seismic, G&G, dry wells, carry	73 448	40 900
Impairment of capitalised exploration expenses	52 016	0
Seismic and other exploration costs	53 585	72 198
Total exploration and license costs	179 049	113 098

Note 19 Finance income and costs

Finance income:

Amounts in NOK 1 000	2010	2009
Interest income bank deposits	4 236	767
Interest income on tax refund	2 864	2 866
Other interest income	202	159
Foreign exchange gain	2 158	509
Other finance income	5	0
Total finance income	9 464	4 300

Finance costs:

Amounts in NOK 1 000	2010	2009
Interest expense	1 364	5 018
Foreign exchange loss	2 025	84
Financial items, Joint Ventures	1 337	7
Other finance costs	14	5
Total finance costs	4 740	5 113

Note 20 Financial instruments

(a) Categories of financial instruments

At 31 Desember 2010:

Amounts in NOK 1 000	Loans and receivables	Financial assets at fair value through profit or loss
Assets:		
Other non-current receivables [1]	11 934	0
Other current receivables	30 417	0
Financial assets (money market fund)	0	4 674
Cash and cash equivalents	86 015	0
Total	128 366	4 674

Amounts in NOK 1 000	Financial liabilities measured at amortised cost
Liabilities:	
Trade creditors	47 185
Other current liabilities [2]	36 375
Current borrowings	0
Total	83 560

At 31 Desember 2009:

Amounts in NOK 1 000	Loans and receivables
Assets:	
Other non-current receivables [1]	6 410
Other current receivables	8 020
Cash and cash equivalents	45 671
Total	60 101

Amounts in NOK 1 000	Financial liabilities measured at amortised cost
Liabilities:	
Trade creditors	16 949
Other current liabilities [2]	12 142
Current borrowings	45 000
Total	74 091

1) Pension assets are excluded since they are not defined as financial instruments.
2) Public duties payable and accruals for incurred costs are excluded since they are not defined as financial instruments.

(b) Fair value of financial instruments

Fair value other non-current receivables:
The fair value of other non-current receivables is calculated by discounting cash flows with a rate equal to an alternative rate of 5.0% (2009: 5.0%). The discount rate correspond to 10-year fixed-rate loans with the addition of relevant credit rating.

Amounts in NOK 1 000	2010	2009
Other non-current receivables	9 268	5 023

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors, other current liabilities and current borrowings is approximately equal to fair value since the effect of discounting is not significant. The carrying amount of financial assets (money market fund) is equal to fair value.

(c) Creditworthiness of financial assets

The Group does not have a system that separates receivables and loans on counterparty credit rating. Non-current receivables are mainly loans to employees. Loans to employees are repaid according to agreement and these loans have not been impaired in 2009 or 2010. Cash and cash equivalents and financial assets are receivables from two banks, and Standard & Poor's credit rating of these banks is presented below:

	2010	2009
Bank deposits and investment in money market fund:	90 688	45 671

Amounts in NOK 1 000	2010	2009
No external credit rating	0	0
A	90 688	38 906
AA	0	6 765
Total	90 688	45 671

(d) Financial risk factors

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

Note 21 Leases

North Energy has no finance leases.

North Energy has entered into operating leases for office premises, cars, machinery and office furniture.
The leases do not contain any restrictions on the company's dividend policy or financing opportunities.

The lease costs consist of the following:

Amounts in NOK 1 000	2010	2009
Lease office premises (inclusive joint costs)	5 695	2 982
Lease machinery and office furniture	736	384
Lease cars	1 009	1 016
Sublease office premises	-995	0
Total lease costs	6 445	4 382

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

Amounts in NOK 1 000	2010	2009
Within 1 year - leases	1 378	0
Within 1 year - subleases	-1 256	0
1 to 5 years - leases	2 526	0
1 to 5 years - subleases	-523	0
After 5 years	0	0
Total net lease	2 124	0

Note 22 Pension

Actuarial assumptions:

	2010	2009
Discount rate	4.50 %	3.80 %
Expected rate of return on plan assets	5.70 %	5.80 %
Expected annual salary increases	4.50 %	4.00 %
Expected annual adjustment of pension benefits	4.25 %	3.75 %
Expected rate of G-regulation	4.25 %	3.75 %
Mortality assumptions are based on mortality table	K2005	K2005
Disability assumptions are based on disability table	IR02	IR02

Pension expense recognised in income statement:

Amounts in NOK 1 000	2010	2009
Current service cost	8 917	8 813
Interest cost	604	177
Expected return on plan assets	-342	-56
Social security cost	514	569
Total pension expense included in payroll and related cost	9 693	9 503

Specification of net pension liability:

Amounts in NOK 1 000	2010	2009
Present value of funded obligations at 31.12	26 295	13 699
Estimated fair value of plan assets at 31.12	16 543	10 961
Net pension liability	9 752	2 738

Classification of net pension liability in the balance sheet:

Amounts in NOK 1 000	2010	2009
Other non-current receivables (note 7)	5 594	3 372
Pension liabilities	15 346	6 110
Net pension liability	9 752	2 738

One individual pension plan is over funded with TNOK 5 594 at the end of 2009 (TNOK 3 372 at the end of 2009). The over funding will be used to cover future liabilities, but not liabilities concerning other pension plans that the company have. The amount is therefore classified as other non-current receivable.

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

Amounts in NOK 1 000	2010	2009
Defined benefit obligations at 1 January	13 699	5 963
Current service cost	8 917	8 813
Interest cost	604	177
Actuarial losses / gains (-)	3 075	-1 254
Liability for defined benefit obligations at 31 December	26 295	13 699

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

Amounts in NOK 1 000	2010	2009
Fair value of plan assets at 1 January	10 961	4 320
Expected return on plan assets	342	56
Actuarial losses (-) / gains	-1 161	-1 088
Employer contributions	6 401	7 673
Fair value of plan assets at 31 December	16 543	10 961

Plan assets are comprised as follows	2010	2009
Shares	13.5 %	3.8 %
Short-term bonds	23.3 %	29.9 %
Money market	8.5 %	14.0 %
Long-term bonds	35.7 %	28.8 %
Property	16.6 %	16.8 %
Other	2.3 %	6.7 %
Total	100.0 %	100.0 %

	2010	2009
Actual return on plan assets	6.20 %	4.70 %

	2011	2010
Expected contributions to funded plans next year	4 550	6 773

The pension arrangements fulfils the requirements in the Norwegian law of mandatory occupational pension (lov om obligatorisk tjenestepensjon).

Historic information:

Amounts in NOK 1 000	2010	2009	2008
Present value of funded obligations per 31.12	26 295	13 699	5 963
Estimated fair value of plan assets per 31.12	16 543	10 961	4 320
Net pension liability	9 752	2 738	1 643
Experienced actuarial losses (-) / gains to the pension obligation	-3 075	1 254	-2 495
Experienced actuarial losses (-) / gains to the plan assets	-1 161	-1 088	-206
Net actuarial losses (-) / gains	-4 236	166	-2 701
Recognised in comprehensive income (net of tax)	-932	166	-2 701
Recognised in comprehensive income (net of tax), accumulated	-3 467	-2 535	-2 701

Note 23 Contingent liabilities

North Energy has not been involved in any legal or financial disputes in 2010 or 2009, where adversely outcome is considered more likely than remote.

Note 24 Shares in licenses and obligations

Shares in licenses at 31 December 2010:

License	Share
PL 341	11 %
PL 385	15 %
PL 433	12 %
PL 498	25 %
PL 503	25 %
PL 510	20 %
PL 518/518B	30 %
PL 526	40 %
PL 530	20 %
PL 535	20 %
PL 536	20 %
PL 562	10 %
PL 564	20 %

Obligations at 31 December 2010:

License	Share	Obligation	Expected time
PL 385	15 %	One firm well. Carry 7,5% of the total license cost until completion of the first well.	Well 4Q-2011/ 1Q-2012
PL 518	30 %	One firm well and one contingent well (2-1). Well 2 contingent of positive results in well 1.	First well 4Q-2011
PL 530	20 %	One firm well and one contingent well (2-1) Well 2 contingent of positive results in well 1.	First well 3Q-2011
PL 535	20 %	One firm well.	Well 2Q-2011

Shares in licenses at 31 December 2009:

License	Share
PL 385 *	15 %
PL 433	12 %
PL 510	20 %
PL 526	40 %
PL 518	30 %
PL 530	20 %
PL 535	20 %
PL 536	20 %

(*) The farm-in of a 15% interest in license PL385 from Statoil has been approved by Norwegian authorities in January 2010.

Obligations at 31 December 2009:

License	Share	Obligation	Expected time
PL 385	15 %	One firm well. Carry 7,5% of the total license cost until completion of the first well.	4Q-2010
PL 433	12 %	One firm well. Carry 8% of the total license cost until completion of the first well.	1Q-2010
PL 518	30 %	One firm well and one contingent well (2-1). Well 2 contingent of positive results in well 1.	First well 4Q-2011
PL 530	20 %	One firm well and one contingent well (2-1). Well 2 contingent of positive results in well 1.	First well 2011
PL 535	20 %	Acquire a minimum of 500 km^2 3D seismic and one firm well.	Seismic 2010, drilling 2011
PL 536	20 %	Acquire a minimum of 600 km^2 3D seismic.	2010

Note 25 Acquisition of subsidiary

In February 2010 North Energy completed the acquisition of 100 % of the outstanding shares in 4sea energy AS. The consideration for the aquisition comprise 1,886,792 new issued shares in North Energy, each with par value of NOK 1 and at a price of NOK 26.5, i.e. total consideration of NOK 50 million. 4sea energy AS is a company in the exploration phase with 25 % interest in license PL 498 and 25 % interest in license PL 503. The acquisition is deemed as asset acquisition and not as a business combination, i.e. no deferred tax on initial differences between carrying values and tax bases is recorded, nor any goodwill is recorded at the date of acquisition.

Note 26 Events after the balance sheet date

In January 2011 North Energy was awarded 5 new licenses, of this 1 operatorship in the APA 2010. Following this award the Group now holds a total of 19 licenses, of this 2 operatorship on the NCS.

North Energy has entered into an agreement with Wintershall Norge ASA for acquisition of a 10 % share in license PL 370 and acquisition of a 20 % share in license PL 385. Given governmental approval, North Energy will own 10% share in license PL 370 and 35 % share in license PL 385 (North Energy already own 15 % share in license PL 385).

Note 27 Reserves (unaudited)

The Group has reported reserves in accordance with guidelines in the Oslo Stock Exchange Circular 9/2009.

Annual financial statements and notes North Energy ASA

INCOME STATEMENT

(NOK 1 000)	Note	2010	2009
Payroll and related cost	5	-61 512	-62 370
Depreciation and amortisation	17	-4 296	-3 414
Exploration expenses	18	-177 071	-113 098
Other operating expenses	6	-40 678	-28 752
Operating profit		-283 556	-207 633
Finance income	19	8 524	4 300
Finance costs	19	-4 734	-5 113
Net financial items		3 790	-813
Profit before income tax		-279 766	-208 446
Income tax credit	16	217 216	144 029
Profit for the year		-62 550	-64 417

STATEMENT OF COMPREHENSIVE INCOME

(NOK 1 000)	Note	2010	2009
Profit for the year		-62 550	-64 417
Other comprehensive income, net of tax:			
Actuarial gains/-losses pension	22	-932	166
Total other comprehensive income, net of tax		-932	166
Total comprehensive income for the year		-63 482	-64 250

BALANCE SHEET

(NOK 1 000)	Note	31-12-10	31-12-09
ASSETS			
Non-current assets			
Property, plant and equipment	17	16 167	13 387
Capitalised exploration and license costs	18	122 365	9 382
Investment in subsidiaries	14	50 000	0
Other receivables	7	17 524	9 782
Total non-current assets		206 057	32 551
Current assets			
Prepayments and other receivables	8	37 225	15 118
Tax receivable refund tax value exploration expenses	16	342 591	148 960
Cash and cash equivalents	9	49 366	45 671
Total current assets		429 182	209 748
Total assets		635 239	242 299

(NOK 1 000)	Note	31-12-10	31-12-09
EQUITY AND LIABILITIES			
Equity			
Share capital	10	25 150	9 201
Share premium		606 141	233 573
Other paid-in capital		29 570	26 999
Retained earnings		-180 319	-116 837
Total equity		480 542	152 935
Liabilities			
Non-current liabilities			
Pension liabilities	22	15 346	6 110
Deferred tax	16	45 791	0
Total non-current liabilities		61 137	6 110
Current liabilities			
Current borrowings	12	0	45 000
Trade creditors		46 200	16 949
Other current liabilities	13	47 360	21 305
Total current liabilities		93 560	83 254
Total liabilities		154 697	89 364
Total equity and liabilities		635 239	242 299

Alta, 12 April 2011

Johan Petter Barlindhaug
Chairman

Kristin Ingebrigtsen
Board member

Ole Njærheim
Board member

Guri Helene Ingebrigtsen
Board member

Leif W. Finsveen
Board member

Arnulf Østensen
Board member

Hans Kristian Rød
Board member

Heidi Marie Petersen
Board member

Jørn Olsen
Board member

Erik Karlstrøm
CEO

STATEMENT OF CHANGES IN EQUITY

(NOK 1 000)	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1st of January 2009		5 811	147 639	8 080	-52 588	108 943
Transactions with owners:						
Share issues		3 390	94 319	0	0	97 709
Share issue expenses		0	-5 442	0	0	-5 442
Underwriters warrants		0	-2 944	2 944	0	0
Share-based payment, warrants	11	0	0	13 308	0	13 308
Share-based payment, bonus shares	5	0	0	2 667	0	2 667
Comprehensive income:						
Total compehensive income for 2009		0	0	0	-64 250	-64 250
Equity at 31st of December 2009		9 201	233 573	26 999	-116 837	152 935
Equity at 1st of January 2010		9 201	233 573	26 999	-116 837	152 935
Transactions with owners:						
Share issues		15 949	390 664	0	0	406 612
Share issue expenses (net after tax)		0	-18 095	0	0	-18 095
Share-based payment, bonus shares	5	0	0	2 571	0	2 571
Comprehensive income:						
Total compehensive income for 2010		0	0	0	-63 482	-63 482
Equity at 31st of December 2010		25 150	606 141	29 570	-180 319	480 542

CASH FLOW STATEMENT

(NOK 1 000)	Note	2010	2009
Cash flow from operating activities			
Profit before income tax		-279 766	-208 446
Adjustments:			
Tax refunded	16	147 090	98 221
Depreciation	17	4 296	3 414
Impairment capitalised exploration expenses	18	52 016	0
Pensions		2 778	1 262
Expensed share-based payment recognised in equity		2 571	15 975
Changes in trade creditors		29 250	11 237
Changes in other accruals		3 948	-2 491
Net cash flow from operating activities		-37 818	-80 827
Cash flow from investing activities			
Purchase of property, plant and equipment	17	-7 076	-1 204
Purchase of intangible assets	16,18	-232 372	-11 529
Changes in other non-current receivables	7	-5 520	-2 079
Net cash flow from investing activities		-244 968	-14 811
Cash flow from financing activities			
Borrowings/repayments of current borrowings	12	-45 000	35 711
Proceeds from share issues		331 481	92 267
Net cash flow from financing activities		286 481	127 978
Net change in cash and cash equivalents		3 695	32 340
Cash and cash equivivalents at 1st of January	9	45 671	13 331
Cash and cash equivivalents at 31st of December	9	49 366	45 671

NOTES

Note 1 General information

North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office in Alta. The company's shares were listed on Oslo Axess 5 February 2010. The company's only business segment is exploration for oil and gas on the Norwegian continental shelf.

The financial statements were approved by the board of directors and CEO at 12 April 2011.

Note 2 Summary of significant accounting policies

2.1 Basis for preparation

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

2.2 Accounting policies

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

Note 3 Financial risk management

See note 3 in the consolidated financial statements.

Note 4 Critical accounting estimates and judgements

See note 4 in the consolidated financial statements.

Note 5 Payroll and related cost, remuneration to board of directors and management

Amounts in NOK 1 000	2010	2009
Salaries	42 264	36 561
Share-based payment, bonus shares	2 571	2 667
Share-based payment, warrants	0	4 934
Payroll tax	2 746	2 325
Pension costs	9 693	9 503
Other benefits	4 238	6 380
Total	61 512	62 370
Average number of employees	42.7	37.0

Remuneration to board of directors and management:

See note 5 in the consolidated financial statements.

Information about loan to employees, incl. interest benefit 2010:

See note 5 in the consolidated financial statements.

The board of director's declaration regarding determination of salary and other remuneration to management employees

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

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

Total remuneration to management employees include:
(1) Market based fixed salary.
(2) Bonus. The management is included in the company's general employee bonus program. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 on cash and bonus shares, where the cash bonus is earned first. The bonus is linked to the achievement of specified parameters for each of the executive management's area of responsibility. Both financial and non-financial parameters are used.
(3) Pension and insurance. The management is included in the company's general pension and insurance scheme. CEO has in addition an early retirement pension scheme from the age of 62 until the ordinary retirement age (67 years), where the pension is 67% of last annual salary.

(4) Severance payment. CEO and CFO have agreements covering severance payment. In case of resignation at the request of the board of directors, they have the right to a severance payment equivalent with 2 years gross fixed salary.
(5) Warrants granted.
(6) Other benefits such as free car, loan interest rate benefit, and regular allowances to cover telephone, internet, training fee and travel insurance.

Note 6 Other operating expenses and remuneration to auditor

Other operating expenses include:

Amounts in NOK 1 000	2010	2009
Travelling expenses	6 263	5 084
Lease expenses	5 131	4 382
Consultant's and other fees	8 135	4 451
Advertising costs	3 967	3 578
Other administrative expenses	17 181	11 257
Total	40 678	28 752

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	2010	2009
Audit	310	75
Tax assistance	0	49
Attestations	102	91
Legal assistance	0	71
Accounting assistance	24	778
Due diligence, prospectus	215	1 167
Total, excl. VAT	651	2 230

Note 7 Other non-current receivables

Other non-current receivables include:

Amounts in NOK 1 000	2010	2009
Loan to employees (note 5 and 15)	11 510	5 989
Deposit	421	421
Pension assets (note 22)	5 594	3 372
Total	17 524	9 782

Note 8 Prepayments and other receivables

Prepayments and other receivables include:

Amounts in NOK 1 000	2010	2009
Prepaid expenses	2 718	2 960
VAT receivable	4 156	4 138
Receivables, Joint Ventures	30 351	8 013
Other items	0	7
Total	37 225	15 118

Note 9 Cash and cash equivalents

Amounts in NOK 1 000	2010	2009
Bank deposits	49 366	45 671
Total cash and cash equivalents	49 366	45 671
Of this:		
Restricted cash for witheld taxes from employees salaries	3 012	3 250
Restricted cash on escrow account *	0	10 000

(*) Amount paid to an escrow account in 2009 in connection with acquisition of interest in license PL433. The amount has been released after the first drilling completed in 2010.

Note 10 Share capital and shareholder information

See note 10 in the consolidated financial statements.

Note 11 Warrants

See note 11 in the consolidated financial statements.

Note 12 Current borrowings

See note 12 in the consolidated financial statements.

Note 13 Other current liabilities

Amounts in NOK 1 000	2010	2009
Public duties payable	3 463	3 760
Accruals, Joint Ventures	25 657	3 037
Vacation pay and bonus payable	10 662	9 105
Other accruals for incurred costs	7 579	5 403
Total	47 360	21 305

Note 14 Investment in subsidiaries

Amounts in NOK 1 000

Company	Acquisition date	Location	Equity and voting share	Book value
4sea energy AS	11-02-2010	Norway	100.00 %	50 000
Total				50 000

On 11 February 2010 North Energy ASA completed the acquisition of 100% of the outstanding shares in 4sea energy AS. The consideration for the aquistion comprise 1.886.792 new issued shares in North Energy ASA, each with par value of NOK 1 and at a price of NOK 26,5, i.e. total consideration of NOK 50 million. 4sea energy AS is a company in the exploration phase with 25% interest in license PL 498 and 25% interest in license PL 503.

Note 15 Related parties

See note 15 in the consolidated financial statements.

Note 16 Tax

Specification of income tax:

Amounts in NOK 1 000	2010	2009
Calculated refund tax value of exploration costs this year	343 348	153 841
Of this refund not recognised in income statement (acquisition of licenses recognised net of tax)	-67 258	-2 147
Correction refund previous years	-2 627	-7 664
Change deferred tax in balance	-45 791	0
Of this deferred tax asset not recognised in income statement (acquisition of licenses recognised net of tax)	-115	0
Of this deferred tax asset related to items in comprehensive income recognised in comprehensive income	-3 304	0
Of this deferred tax asset related to equity transactions recognised directly in equity	-7 037	0
Total income tax credit	217 216	144 029

Specification of tax receivable refund tax value exploration expenses:

Amounts in NOK 1 000	31-12-10	31-12-09
Calculated refund tax value of exploration costs this year	343 348	153 841
Correction refund previous years, assessed but not settled	-4 881	0
Correction refund previous years, not yet assessed	0	-4 881
Correction refund previous years, assessed but appealed	4 124	0
Total tax receivable refund tax value exploration expenses	342 591	148 960

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

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

Amounts in NOK 1 000	31-12-10	31-12-09
Property, plant and equipment	4 462	3 992
Capitalised exploration and license costs	121 748	8 776
Financial assets	0	0
Pensions	-9 752	-2 738
Other current liabilities	0	-100
Tax losses carried forward, onshore	0	0
Tax losses carried forward, offshore only 28% basis	-27 782	-6 480
Tax losses carried forward, offshore only 50% basis	-870	-854
Tax losses carried forward, offshore both 28% and 50% basis	-47 217	-25 759
Total basis for deferred tax	40 589	-23 163
Deferred tax liability (-) / tax asset (+)	-45 791	14 592
Not capitalised deferred tax asset (valuation allowance)	0	-14 592
Deferred tax liability (-) / tax asset (+) in balance	-45 791	0

Reconciliation of effective tax rate:

Amounts in NOK 1 000	2010	2009
Profit before tax	-279 766	-208 446
Expected income tax credit 78 %	218 218	162 588
Adjusted for tax effects (28 % – 78 %) of the following items:		
Permanent differences	-18 072	-9 510
Correction previous years	-57	-8 645
Interest on tax losses carried forward offshore	448	0
Finance items	2 088	-2 960
Change in valuation allowance for deferred tax assets and other items	14 592	2 556
Total income tax credit	217 216	144 029

Note 17 Property, plant and equipment

Amounts in NOK 1 000	Equipment, office machines etc.
2010	
Cost:	
At 1.1.2010	18 877
Additions	7 076
Disposals	0
At 31.12.2010	25 952
Depreciation and impairment:	
At 1.1.2010	-5 489
Depreciation this year	-4 296
Impairment this year	0
Disposals	0
At 31.12.2010	-9 785
Carrying amount at 31.12.2010	16 167
2009	
Cost:	
At 1.1.2009	17 673
Additions	1 204
Disposals	0
At 31.12.2009	18 877
Depreciation and impairment:	
At 1.1.2009	-2 075
Depreciation this year	-3 414
Impairment this year	0
Disposals	0
At 31.12.2009	-5 489
Carrying amount at 31.12.2009	13 387
Economic life	3-10 years
Depreciation method	linear

Note 18 Capitalised and expensed exploration and license costs

(a) Capitalised exploration and license costs

Amounts in NOK 1 000	Capitalised exploration and license costs
2010	
Cost:	
At 1.1.2010	9 382
Additions *	164 999
Disposals **	-52 016
At 31.12.2010	122 365
Amortisation and impairment:	
At 1.1.2010	0
Amortisation this year	0
Impairment this year **	52 016
Disposals **	-52 016
At 31.12.2010	0
Carrying amount at 31.12.2010	122 365

(*) Additions are mainly related to drilling of exploration well in license PL 433 where North Energy in addition to own share of 12% carry 8% of all expenses, and acquisition cost of license PL 341 recognised net of tax together with drilling of exploration well in license PL 341, where North Energy in addition to own share of 11% carry 7% of the drilling expenses for the first well.
(**) Disposals are related to impairment of capitalised expenses in license PL 341 due to dry well result.

Amounts in NOK 1 000	Capitalised exploration and license costs
2009	
Cost:	
At 1.1.2009	0
Additions ***	9 382
Disposals	0
At 31.12.2009	9 382
Amortisation and impairment:	
At 1.1.2009	0
Amortisation this year	0
Impairment this year	0
Disposals	0
At 31.12.2009	0
Carrying amount at 31.12.2009	9 382

(***) Additions in 2009 are mainly related to drilling of exploration well in license PL 433 where North Energy in addition to own share of 12% carry 8% of all expenses, and acquisition cost of license PL 433 recognised net of tax.

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

(b) Expensed exploration and license costs

Specification of expensed exploration and license costs:

Amounts in NOK 1 000	2010	2009
Share of exploration expenses from participation in licenses, incl. seismic, G&G, dry wells, carry	71 470	40 900
Impairment of capitalised exploration expenses	52 016	0
Seismic and other exploration costs	53 585	72 198
Total exploration and license costs	177 071	113 098

Note 19 Finance income and costs

Finance income:

Amounts in NOK 1 000	2010	2009
Interest income bank deposits	3 660	767
Interest income on tax refund	2 504	2 866
Other interest income	202	159
Foreign exchange gain	2 158	509
Other finance income	1	0
Total finance income	8 524	4 300

Finance costs:

Amounts in NOK 1 000	2010	2009
Interest expense	1 359	5 018
Foreign exchange loss	2 024	84
Financial items, Joint Ventures	1 337	7
Other finance costs	14	5
Total finance costs	4 734	5 113

Note 20 Financial instruments

(a) Categories of financial instruments

At 31 Desember 2010:

Amounts in NOK 1 000	Loans and receivables
Assets:	
Other non-current receivables [1]	11 931
Other current receivables	30 351
Cash and cash equivalents	49 366
Total	91 648

Amounts in NOK 1 000	Financial liabilities measured at amortised cost*
Liabilities:	
Trade creditors	46 200
Other current liabilities [2]	36 318
Current borrowings	0
Total	82 518

At 31 Desember 2009:

Amounts in NOK 1 000	Loans and receivables
Assets:	
Other non-current receivables [1]	6 410
Other current receivables	8 020
Cash and cash equivalents	45 671
Total	60 101

Amounts in NOK 1 000	Financial liabilities measured at amortised cost
Liabilities:	
Trade creditors	16 949
Other current liabilities [2]	12 142
Current borrowings	45 000
Total	74 091

1) Pension assets are excluded since they are not defined as financial instruments.
2) Public duties payable and accruals for incurred costs are excluded since they are not defined as financial instruments.

(b) Fair value of financial instruments

Fair value other non-current receivables:
The fair value of other non-current receivables is calculated by discounting cash flows with a rate equal to an alternative rate of 5.0% (2009: 5.0%). The discount rate correspond to 10-year fixed-rate loans with the addition of relevant credit rating.

Amounts in NOK 1 000	2010	2009
Other non-current receivables	9 265	5 023

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors, other current liabilities and current borrowings is approximately equal to fair value since the effect of discounting is not significant.

(c) Creditworthiness of financial assets

The company does not have a system that separates receivables and loans on counterparty credit rating. Non-current receivables are mainly loans to employees. Loans to employees are repaid according to agreement and these loans have not been impaired in 2009 or 2010. Cash and cash equivalents are receivables from two banks, and Standard & Poor's credit rating of these banks is presented below:

Amounts in NOK 1 000	2010	2009
Bank deposits:	49 366	45 671

Amounts in NOK 1 000	2010	2009
No external credit rating	0	0
A	49 366	38 906
AA	0	6 765
Total	49 366	45 671

(d) Financial risk factors

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

Note 21 Leases

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

The lease costs consist of ordinary lease payments and include:

Amounts in NOK 1 000	2010	2009
Lease office premises (inclusive joint costs)	3 962	2 982
Lease machinery and office furniture	161	384
Lease cars	1 009	1 016
Total lease costs	5 131	4 382

Note 22 Pension

See note 22 in the consolidated financial statements.

Note 23 Contingent liabilities

The company has not been involved in any legal or financial disputes in 2010 or 2009, where adversely outcome is considered more likely than remote.

Note 24 Shares in licenses and obligations

Shares in licenses at 31 December 2010:

License	Share
PL 341	11 %
PL 385	15 %
PL 433	12 %
PL 510	20 %
PL 518/518B	30 %
PL 526	40 %
PL 530	20 %
PL 535	20 %
PL 536	20 %
PL 562	10 %
PL 564	20 %

Obligations at 31 December 2010:

License	Share	Obligation	Expected time
PL 385	15 %	One firm well. Carry 7,5% of the total license cost until completion of the first well.	Well 4Q-2011/ 1Q-2012
PL 518	30 %	One firm well and one contingent well (2:1). Well 2 contingent of positive results in well 1.	First well 4Q-2011
PL 530	20 %	One firm well and one contingent well (2:1). Well 2 contingent of positive results in well 1.	First well 3Q-2011
PL 535	20 %	One firm well.	Well 2Q-2011

Shares in licenses at 31 December 2009:

License	Share
PL 385 *	15 %
PL 433	12 %
PL 510	20 %
PL 526	40 %
PL 518	30 %
PL 530	20 %
PL 535	20 %
PL 536	20 %

(*) The farm-in of a 15% interest in license PL385 from Statoil has been approved by Norwegian authorities in January 2010.

Obligations at 31 December 2009:

License	Share	Obligation	Expected time
PL 385	15 %	One firm well. Carry 7,5% of the total license cost until completion of the first well.	4Q-2010
PL 433	12 %	One firm well. Carry 8% of the total license cost until completion of the first well.	1Q-2010
PL 518	30 %	One firm well and one contingent well (2:1). Well 2 contingent of positive results in well 1.	First well 4Q-2011
PL 530	20 %	One firm well and one contingent well (2:1). Well 2 contingent of positive results in well 1.	First well 2011
PL 535	20 %	Acquire a minimum of 500 km^2 3D seismic and one firm well.	Seismic 2010, drilling 2011
PL 536	20 %	Acquire a minimum of 600 km^2 3D seismic.	2010

Note 25 Events after the balance sheet date

See note 26 in the consolidated financial statements.

Note 26 Reserves (unaudited)

See note 27 in the consolidated financial statements.

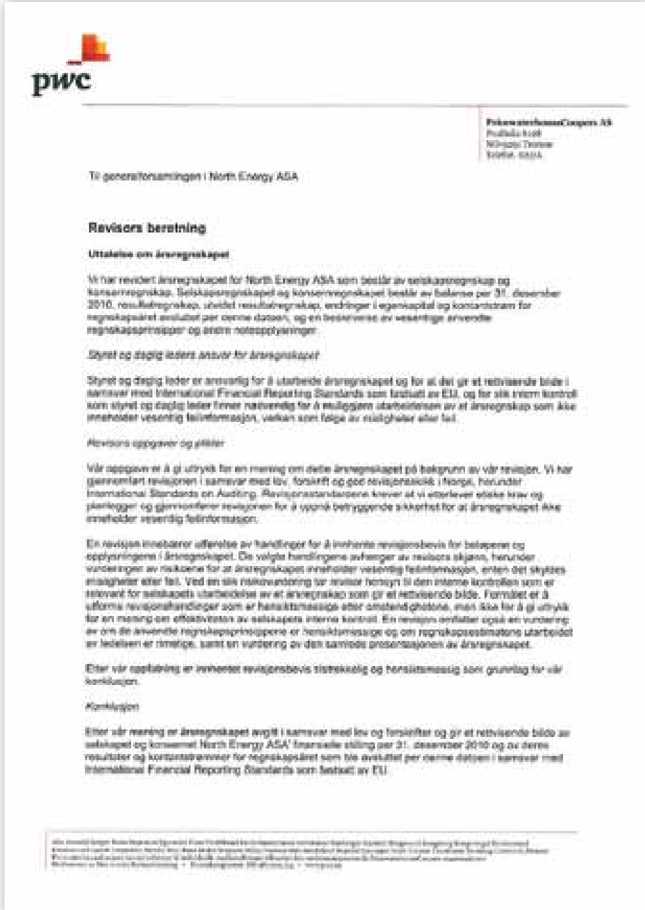
Responsibility statement by the Board of Directors and CEO

We declare, to the best of our judgement, that the annual financial statements for the period from 1 January to 31 December 2010 have been prepared in accordance with the applicable accounting standards, and that the information in the accounts fairly reflects the company's and group's assets, liabilities, financial position and results as a whole. We also declare that the Board of Directors' report provides a true and fair view of the company's and group's performance, results and position, along with a description of the most important risk and uncertainty factors facing the company and group.

Alta, 12 April 2011

Johan Petter Barlindhaug Chairman	Kristin Ingebrigtsen Board member	Ole Njærheim Board member
Guri Helene Ingebrigtsen Board member	Leif W. Finsveen Board member	Arnulf Østensen Board member
Hans Kristian Rød Board member	Heidi Marie Petersen Board member	Jørn Olsen Board member
Erik Karlstrøm CEO		

Revisors beretning



Til generalforsamlingen i North Energy ASA

Revisors beretning

Uttalelse om årsregnskapet

Vi har revidert årsregnskapet for North Energy ASA som består av selskapsregnskap og konsernregnskap. Selskapsregnskapet og konsernregnskapet består av balanse per 31. desember 2010, resultatregnskap, utvidet resultatregnskap, endringer i egenkapital og kontantstrøm for regnskapsåret avsluttet per denne datoen, og en beskrivelse av vesentlige anvendte regnskapsprinsipper og andre noteopplysninger.

Styret og daglig leders ansvar for årsregnskapet

Revisors oppgaver og plikter

Konklusjon

Etter vår mening er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapet og konsernet North Energy ASA' finansielle stilling per 31. desember 2010 og av deres resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.


pwc

Uttalelse om øvrige forhold

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til dekning av tap er konsistente med årsregnskapet og er i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag ISAE 3000 "Attestasjonsoppdrag som ikke er revisjon eller begrenset revisjon av historisk finansiell informasjon" mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Tromsø, 15. april 2011
PricewaterhouseCoopers AS

Kent-Helge Holst

Kent-Helge Holst
Statsautorisert revisor

(2)

Terms and expressions

- **HSE** – Health, Safety and the Environment
- **PL** – production licence
- **PDO** – Plan for Development and Operation that is submitted to the authorities for approval
- **APA** – Allocation of Predefined Areas, an annual licensing round in mature sections of the Norwegian continental shelf
- **NPD** – Norwegian Petroleum Directorate
- **PSAN** – Petroleum Safety Authority Norway
- **MPE** – Ministry of Petroleum and Energy
- **SPE** – Society of Petroleum Engineers
- **G&G** – Geology and Geophysics
- **2D seismology** – powerful echo sounder that receives reflected subsurface sound from along straight lines
- **3D seismology** – like 2D seismology, but the sound is captured by a network of receivers, so that a three-dimensional underground picture can be created. Smaller oil traps can often only be surveyed with 3D seismology.
- **EM** – electromagnetic surveys (also referred to as seabed logging). This is set up as an electromagnetic field on the seabed or in the sea that measures underground electrical resistivity.
- **AMI** – Area of Mutual Interest, formal licence application cooperation
- **Prospect** – a defined volume that is surveyed, where it is probable that hydrocarbons are present
- **Reserves** – proven petroleum that will definitely be produced in accordance with the SPE Standard
- **Resources** – Proven petroleum that will not definitely be produced, as well as estimates of petroleum in surveyed prospects that have not yet been drilled. Classified in accordance with the Norwegian Petroleum Directorate's definitions. **P10**, **P50**, **P90** – 10 per cent, 50 per cent and 90 per cent probability, respectively
- **1 Sm^3** – a standard cubic metre = 6.293 barrels of oil. 1 Sm3 of oil corresponds to 1000 Sm^3 of gas (an oil equivalent or o.e.)
1 barrel of oil – a tierce, which corresponds to 1 drum = 42 gallons ≈ 159 litres.

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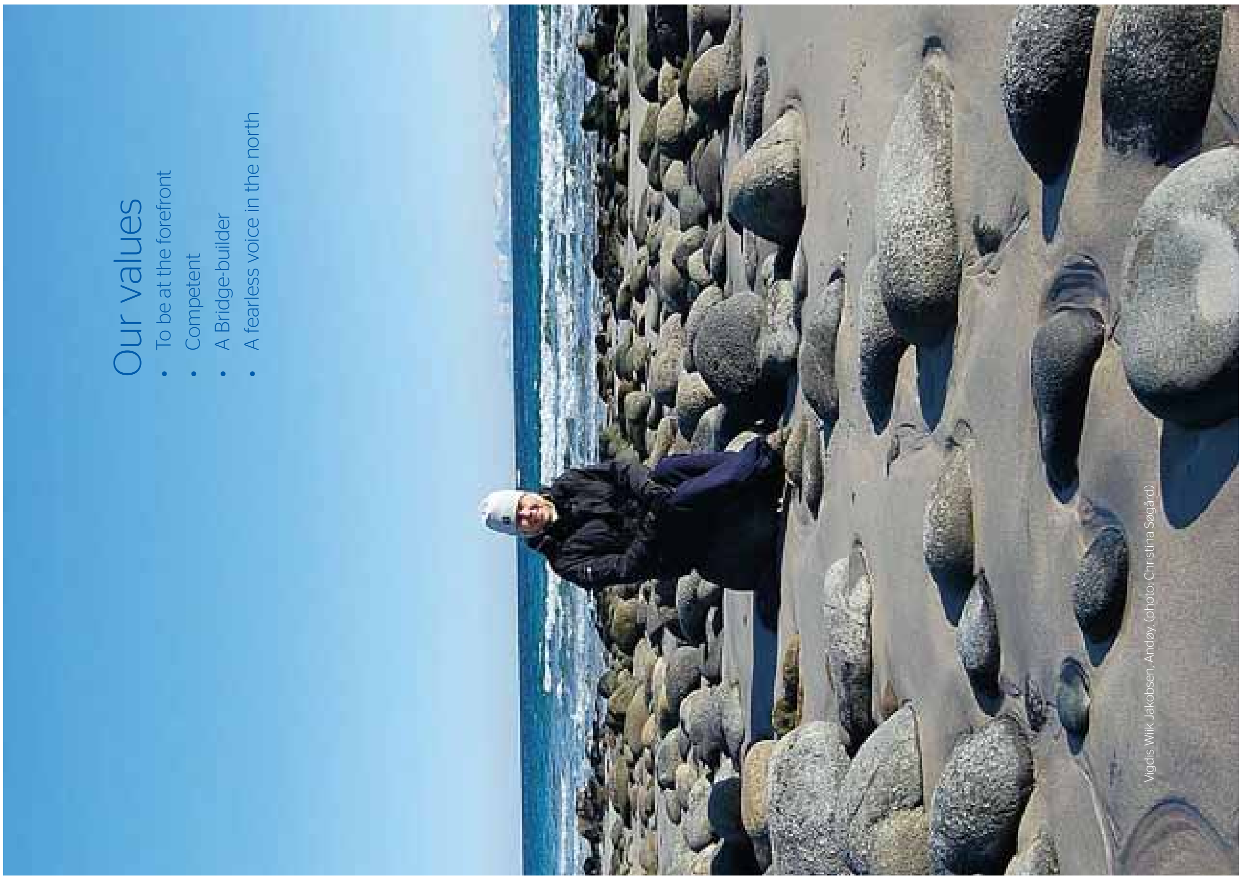
Forskningsparken in Tromsø
NO-9294 Tromsø

Organisation number
NO 891797702 VAT

Appendix 4: Annual report 2009 North Energy ASA



Content

Key figures 2009

	2009	2008	2007
No. of shares in licences as at 31.12	8	2	0
Operatorships	1	0	0
Exploration costs (MNOK)	113,1	42,0	17,6
Operating results (MNOK)	-207,6	-140,8	-24,6
Profit/loss after tax (MNOK)	-64,4	-39,3	-10,6
Cash flow from operating activities (MNOK)	-80,8	-106,3	-22,7
Cash flow from investment activities (MNOK)	-14,8	-16,5	-5,5
Cash flow from financing activities (MNOK)	128,0	117,5	46,8
Book shareholders' equity (MNOK)	152,9	108,9	40,0
No. of shares	9 200 970	581 122	15 000
Face value per share (NOK)	1,0	10,0	100,0
No. of employees as at 31.12	38	33	1

Photo: Andøy, 2009 (Christina Søgård)

Our history - milestones

✓ 4 September 2007:	The North Energy AS company was established
✓ August 2008:	Prequalified as licence holder on the Norwegian Continental Shelf
✓ December 2008:	Assigned two holdings in TFO 2008
✓ March 2009:	Prequalified as operator on the Norwegian Continental Shelf
✓ April 2009:	Assigned operatorship and 4 licences in 20th licensing round
✓ July 2009:	Purchase of 12% of PL 433 from Centrica
✓ December 2009:	Purchase of 15% of PL 385 from Statoil
✓ December 2009:	North Energy converted to ASA (public limited company) in preparation for flotation on the Stock Exchange
✓ December 2009:	Application for registration on the Oslo Axess list approved by the Board of the Stock Exchange
✓ January 2010:	Assigned three licences in TFO 2009
✓ February 2010:	Successful share issue implemented
✓ February 2010:	North Energy quoted on the Oslo Axess list
✓ February 2010:	Purchase of 4sea energy AS. Includes 2 licences in the North Sea
✓ March 2010:	Drilling starts in PL 433 as the first in which North Energy is a partner
✓ April 2010:	Discovery of Hydrocarbons in PL 433

Our vision

The purpose of the company is to create a return for its shareholders and to run affiliated operations onshore through involvement in oil exploration, extraction, development and production activities off the coast of central and northern Norway.

North Energy's objective is to be a profitable and leading oil and gas company, focusing on areas in the Arctic.

The company's core business encompasses the development of forward-looking solutions for profitable, sustainable petroleum activities in northern Norway, including making preparations for operations onshore.

Our values

- To be at the forefront
- Competent
- A bridge-builder
- A fearless voice in the north

CEO, Erik Karlstrøm

2009 was an extremely important year for North Energy. During the course of this year, the company built the core of the portfolio which will provide the company with eight wells that have a high probability of discovery. The year began with highly ranked allocations of 4 licences in the 20th licensing round, continued with the purchase of shares in two licences, the takeover of the company, 4sea Energy, and two new shares there, and finally - three licence allocations in January 2010. In a little over a year, North Energy's portfolio increased from 2 to 13 licences.

For a recently established exploration company, the access to attractive exploration acreage constitutes the most important factor for success in value creation. The allocation of operatorships off the coast of Helgeland was also an important signal from the public authorities that North Energy has another role to play than most small oil companies that still exist as independent companies on the Norwegian Continental Shelf. The time from when the company qualified as a licence-holder in autumn 2008 until it qualified as an operator (March 2009) is the fastest in which a new company on the Norwegian Continental Shelf has covered that distance.

It is access to capital, and not the number of licences that determines which of the smaller oil companies are still in existence after two years of turbulence on the financial markets. First and foremost, 2009 was the year in which North Energy prepared for a capital acquisition on the international capital market.

Being quoted on the Oslo Axess list gave access to capital markets outside Norway in the development of North Energy as a national company, but with a solid base in northern Norway.

Of the new capital, a large proportion comes from professional international investors. These investors see North Energy already as a national player close to some of the world's most promising areas for new oil and gas discoveries. The NOK 400 million in new shareholders' equity, which was released through the share issue, is intended to finance the company into the development phase.

The quality of the rapidly growing portfolio is more important than the quantity. The owners hold out expectations for a probability of more than 90% for at least one discovery, and that the portfolio will most probably produce two or three discoveries with production before 2018. At the time of writing, North Energy has already made one discovery in its first well. If calculations show that commercial production can take place, it can be stated that North Energy is ahead of plan.

It is important to try to create greater value in 2010 than in 2009, although the values that were created in 2009 are not quantifiable today.

With the exception of the licensing optimisation that form the engine powering the company's growth, 2010 will be more about becoming a more distinct player with a stronger reputation throughout northern Norway. This is a matter of both playing an active role in the issue of Lofoten and Vesterålen, and of offshore Helgeland.

In Lofoten and Vesterålen, North Energy can play the role of reliable bridge-builder between industry and the people who will be affected by the possible changes that new activity in coastal areas might involve. Part of this role is to study new technology and to try to customise existing technology for new problems facing existing business activities and competition for acreage at sea.

The petroleum industry appears to undervalue the importance of having on side those people who live along the coast before the politicians finally take a stand on the matter of growth and protection in 2010. A minimum requirement then is to provide information about the potential consequences of using various technologies for the people living there, and other effects as a result of oil and gas activities coming closer to the shore in the north.

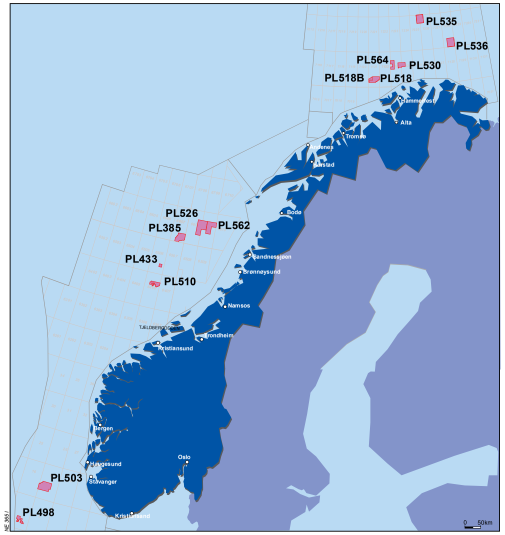
The areas of concentration to be prioritised in 2010 will be:

- Concentration on the rounds – good allocations ahead of many allocations
- Lofoten and Vesterålen - from long-term concentration to concrete partici pation throughout northern Norway
- Preparation for operator role
- Ambitions for growth and portfolio optimisation

In short, 2008 was the year for building competence, 2009 for building the portfolio and, early in 2010, the capital arrived which puts North Energy in a position to change from being a regional player with its head office in Alta, to being a player on the national stage. In addition, in line with its strategy, North Energy has established close contacts and has developed relationships with central Russian players in order to be in position once the accord on the dividing line in the Barents Sea is finally in place.

Exploration activities

North Energy is now a participant in 13 licences in the North Sea, the Norwegian Sea and the Barents Sea, and was allocated an operatorship on the Helgeland coast in the 20th licensing round.



Summary of North Energy's licences on the Norwegian Continental Shelf

To develop North Energy as a sustainable oil company, the company seeks to have a balanced portfolio. In the short term, the company is looking for acreage that will be help enable the company rapidly to reach the production stage, and in the longer term, the focus will be on securing reserves to provide the company with further growth and make it into a major player on the Norwegian Continental Shelf.

Licence history

Two licences were allocated in TFO 2008 (December 2008):
1. 30% in PL 518 – Barents Sea
2. 20% in PL 510 – Norwegian Sea

Four licences, including operatorship, were allocated in the 20th licensing round (April 2009):
3. 20% in PL 530 – Barents Sea
4. 20% in PL 535 – Barents Sea
5. 20% in PL 536 – Barents Sea
6. 40% in PL 526 – Norwegian Sea

Two farm-ins:
7. 12% in PL 433 from Centrica (July 2009) – Norwegian Sea
8. 15% in PL 385 from Statoil – Norwegian Sea

Three licences were allocated in TFO 2009 (January 2010):
9. 30% in PL 518B – Barents Sea
10. 10% in PL 562 – Norwegian Sea
11. 20% in PL 564 – Barents Sea

Two licences through the takeover of 4sea Energy (February 2010):
12. 25% in PL 498 – North Sea
13. 25% in PL 503 – North Sea

Norwegian Sea

PL 385 Jette prospect
North Energy took over a 15% share from Statoil in 2009. The Jette prospect is located in an area on the Dønna Terrace that has had many significant oil and gas discoveries including Marulk, Alve, Norne and Skarv.

Licence 385 covers the Jette prospect plus several leads. The Jette structure contains several potential reservoir levels. The plan is to drill the main Jette prospect in October 2010.

Partners: North Energy ASA, Wintershall Norge AS, Norwegian Energy Company ASA, Statoil Petroleum AS.
Operator: Statoil Petroleum AS.

PL 433 Fogelberg
North Energy took over a 12% share from Centrica in 2009. The Fogelberg prospect is located northwest of Åsgard and immediately north of the Morvin discovery.

The Fogelberg prospect has been drilled, and there is proof that hydrocarbons are present (April 2010).

Partners: North Energy ASA, E.ON Ruhrgas Norge AS, Faroe Petroleum Norge AS, Centrica Resources (Norge) AS, Petro-Canada Norge AS.
Operator: Centrica Resources (Norge) AS.

PL 510 Toto/Dorothy
North Energy's share is 20%. The licence includes five prospects that are of commercial interest. All of the prospects are located close to the infrastructure at Kristin and Åsgard. Toto/Dorothy is regarded as being the most important prospect in the licence.

The scope of work in the licence is to reprocess 3D seismology. New reprocessed data will be available in April 2010. Based on the new seismology, the partnership in the licence will form an opinion in October 2010 about whether to drill a well or whether the acreage should be handed back.

Partners: North Energy ASA, E.ON Ruhrgas Norge AS, Faroe Petroleum Norge AS, Centrica Resources (Norge) AS.
Operator: Centrica Resources (Norge) AS.

PL 526 Vågar
North Energy owns 40% and is the operator within this licence. The Vågar structure is one of the last major untested structures along a trend of the Nordland Ridge in which most of the discoveries in the area have been made.

The scope of work covers the reprocessing of all 3D data within the allocated acreage. This is a project that started in September 2009, and which will be completed in May 2010. A decision on drilling or handing back the acreage will be taken towards the end of 2010.

Partners: E.ON Ruhrgas Norge AS, Dana Petroleum Norway AS, Norwegian Energy Company ASA, North Energy ASA.
Operator: North Energy ASA.

PL 562 Lepus
North Energy's share is 10%. The licence is located on the Nordland Ridge, immediately east of North-operated PL 526. The scope of work is to acquire 3D data and to perform geological studies. An opinion must be formed as to whether a well should be drilled or whether the acreage should be handed back within three years of allocation.

Arbeidsforpliktelsen er å samle inn 3D-data og utføre geologiske studier. Det må tas stilling til om det skal bores en brønn eller om arealet skal tilbakeleveres innen tre år fra tildeling.

Partners: North Energy ASA, Petoro AS, E.ON Ruhrgas Norge AS, Norwegian Energy Company ASA, Dana Petroleum Norway AS.
Operator: Dana Petroleum Norway AS.

Barents Sea

PL 518 Tana
North Energy's share is 30%. The licence is located in the southern part of the Hammerfest Basin between the Alke and Goliat discoveries within an area in which several discoveries have been made. The licence contains several prospects and leads, but the Tana prospect is regarded as the most interesting.

3D seismology has been gathered and will be ready in June 2010. The licence has an obligation well (2-1) which will be drilled in the fourth quarter of 2011.

Partners: Sagex Petroleum Norge AS, Discover Petroleum AS, North Energy AS, DONG E&P Norge AS.
Operator: DONG E&P Norge AS.

PL 518B
North Energy owns 30%. The licence is an additional acreage to PL 518 and is located in the southern part of the Hammerfest Basin.

There is no scope of work allocated for the PL 518B licence beyond that which exists for PL 518.

Partners: Sagex Petroleum Norge AS, Discover Petroleum AS, North Energy ASA, DONG E&P Norge AS.
Operator: DONG E&P Norge AS.

PL 530 Heilo
North Energy's share is 20%. The Heilo prospect (including Heilo West) is located in the southern part of the Hammerfest Basin between the Goliat and Nucula discoveries. The Heilo structure is one of the last structures in the series of structures within this exploration trend.

There is an obligation well in this licence. This licence is ready for drilling, but is awaiting a rig slot for drilling. The operator's plan is for drilling in 2011.

Partners: North Energy ASA, Discover Petroleum AS, Rocksource ASA, GDF SUEZ E&P Norge AS.
Operator: GDF SUEZ E&P Norge AS.

PL 535 Norvarg
North Energy owns 20%. The Nordvarg prospect is located between the Ververis discovery and east of the Arenaria discovery.

A seismic 3D data set is to be acquired for the prospect before February 2010. There is an obligation well in this licence. Drilling of this well is planned for 2011.

Partners: Det norske oljeselskap AS, North Energy ASA, Rocksource ASA, Total E&P Norge AS.
Operator: Total E&P Norge AS.

PL 536 Elbrus
North Energy's share is 20%. The Elbrus prospect is located along the southern flank of the North Cape Basin. The prospect contains several potential reservoir levels. Discoveries have been made in several of these levels in the Pandora structure in the central part of the North Cape Basin north of the Elbrus prospect.

The scope of work for Elbrus covers the gathering of 3D seismology. These data will be gathered in 2010. A decision on drilling or handing back the acreage must be taken before fourth quarter 2011.

Partners: Petoro AS, North Energy ASA, Discover Petroleum AS, Statoil Petroleum AS.
Operator: Statoil Petroleum AS.

PL 564
North Energy's share is 20%. The Alta prospect is located 10 kilometres northwest of the Tornerose discovery.

The scope of work is to acquire 3D seismology and to perform geological studies. An opinion must be formed as to whether a well should be drilled on the licence or whether the acreage should be handed back within two years of allocation (TFO 2009).

Partners: North Energy ASA, Wintershall Norge ASA, OMV (Norge) AS.
Operator: OMV (Norge) AS.

North Sea

PL 498 Skagen
With the company 4sea Energy, North Energy took over a 25% share . The Skagen prospect is located northwest of the Krabbe discovery and west of the Ula field which will be able to contribute with infrastructure for production in the event that a discovery is made. The licence may contain a small section of the northern part of the Krabbe structure.

The remaining scope of work in the licence is to bring leads and prospects to maturity to provide the partnership with a good foundation on which to base a decision as to whether to drill or hand back the entire acreage or parts of it in 2010.

Partners: Edison International Norway Branch, 4Sea Energy AS, Skagen 44 AS, Lotos Exploration and Production Norge AS.
Operator: Lotos Exploration and Production Norge AS.

PL 503 Valberget
With the company 4sea Energy, North Energy took over a 25% share . The Valberget prospect is located in the northern Permian Basin in the eastern part of the North Sea.

The scope of work, which covers the decision as to whether 1000 km2 of 3D seismology should be gathered, was agreed in October 2009. Based on a re-evaluation of the new G&G data, a decision must be made about drilling or handing back the acreage towards the end of 2012.

Partners:Edison International Norway Branch, 4Sea Energy AS, Skagen 44 AS, Lotos Exploration and Production Norge AS.
Operator: Lotos Exploration and Production Norge AS.

Photo: Fieldtrip in June 2009, Vigdis Wiik Jacobsen (Torleiv Agdestein)

Business development

In parallel with its work on the licensing rounds, North Energy has also been actively approaching other companies to be allowed to purchase shares in licences that have already been allocated.

During the course of 2009, North Energy expanded its licence portfolio in this way, with two licences which we have bought into. Both of those licences (PL 433 and PL 385) are located in the Norwegian Sea close to existing infrastructure (Åsgard and Norne). In PL 433, discoveries have been made in the Fogelberg prospect, and further evaluations will determine whether this discovery will be developed for production.

The well in PL 385 in the Jette prospect will probably be drilled in late 2010 or early 2011. A discovery in this licence will most probably be phased in towards Norne.

North Energy will be continuing its work within business development with the objective of acquiring licences what can produce early wells, and to optimise its portfolio of licences.

Health, environment and safety

In 2009, North Energy performed HES activities in compliance with its HES programme for the year. This has included the implementation of the company health service, safety representatives and the work environment committee (AMU). 3 AMU meetings have been held during the course of the year. In addition, there has been an HES survey and an ergonomic survey/consultancy in the offices, as well as occupational health checks for all employees. As part of the work to prevent repetitive injuries, the employees are regularly offered physiotherapy and massage.

The company has also been working on the management system in 2009, aimed at the operator role. At the same time, an environmental study has been carried out on Værøy and Røst in which North Energy, together with a specialist team, has documented areas and localities of natural and cultural importance, in conjunction with environmental analyses and emergency preparedness assessments.

North Energy believes that good emergency preparedness is particularly important for the environment in the Arctic regions. For that reason, in 2009, the company carried out a technological review, documented by means of two reports, of previous experience of emergency preparedness close to the coast, and how this emergency preparedness can be developed further, made operational and reinforced. North Energy has renamed the model "Kjentmannsmodellen" [Local Knowledge Model]. A project manager has been appointed to follow up this project and related activities concerning the fishing industry.

We believe it is important to take a step-by-step approach, with regard to a possible opening of Nordland VI, VII and Troms II, and North Energy would like to specify the conditions for an opening of this type. In this context, the company has carried out a study of petroleum provinces in the Lofoten, Vesterålen and Troms sea areas involving technological development solutions, opportunities for bringing the petroleum ashore, as well as environmental and community consequences. Problems and possibilities are sketched out as a basis for strategic choices for actually contributing to making preparations for opening up these areas to petroleum operations in a safe and balanced way.

Photo: Teambuilding, Astrid Tugwell (Christina Søgård)

Management and business functions

During the course of 2009, North Energy grew from approx. 33 to 38 employees. The majority of employees are involved in the exploration side. During 2009, the company established a drilling organisation directed towards the operatorship in licence PL526 at Helgeland. The company has modern offices in the centre of Alta, a branch office in Oslo and satellite offices in Bergen, Stavanger and Honningsvåg.

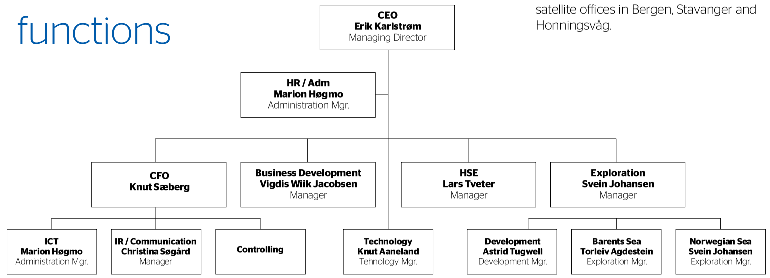


Fig. Organisation chart - North Energy

Investor information

North Energy ASA was listed on the Oslo Stock Exchange on 5 February 2010 under ticker code NORTH. For the company, the evaluation provided on the market is important feedback, and working closely with current and future investors is given high priority. Openness, reliability and trust are features that shall characterise the company in its investor relations and in all information issued by the company.

Since the company was listed, the price per share has been between NOK 22 and NOK 27.

Top 20 shareholders – 18th May 2010

	NAME	NO OF SHARES	
1.	UBS AG, LONDON BRANC S/A IPB SEGREGATED C	2 406 500	9,6 %
2.	SKS EIENDOM AS	1 824 920	7,3 %
3.	JPB AS	1 336 610	5,3 %
4.	ORIGO KAPITAL AS	1 248 100	5,0 %
5.	ONSHORE GROUP NORDLA	933 340	3,7 %
6.	CITIBANK N.A. (LONDO A/C POHJOLA BANK PLC	753 200	3,0 %
7.	IHM HOLDING AS	739 929	2,9 %
8.	SKANDINAVISKA ENSKIL A/C FINNISH RESIDENT	671 700	2,7 %
9.	KAPNORD FOND AS	640 000	2,5 %
10.	ALTA KRAFTLAG A/L	600 230	2,4 %
11.	THE NORTHERN TRUST C USL EXEMPT ACCOUNT	564 900	2,2 %
12.	IKM INDUSTRI-INVEST	545 648	2,2 %
13.	NINERIK AS	516 735	2,1 %
14.	MORGAN STANLEY & CO S/A MSIL IPB CLIENT	505 346	2,0 %
15.	THE NORTHERN TRUST C NORTHERN TRUST GUERN	442 204	1,8 %
16.	LEONHARD NILSEN & SØ	431 210	1,7 %
17.	DNB NOR SMB VPF	423 500	1,7 %
18.	GOLDMAN SACHS INT. - SECURITY CLIENT SEGR	407 783	1,6 %
19.	CACEIS BANK S/A GRD 10 THS	406 630	1,6 %
20.	BANK OF NEW YORK MEL TREATY ACCOUNT UNITE	320 000	1,3 %

Financial calendar 2010

25 Feb 2010	Reporting 4th quarter 2009
12 May 2010	Reporting 1st quarter 2010
20 May 2010	Ordinary general meeting
19 Aug 2010	Reporting 2nd quarter 2010
12 Nov 2010	Reporting 3rd quarter 2010

All results submitted are laid out as a webcast and are available on the company's website **www.northenergy.no**

Photo: Anita Zych-Kotwicka from North Energy during Finnmarksløpet where the company is a main partner (Agnieszka Kania)

Corporate governance

Statement on corporate governance
North Energy practises corporate governance in compliance with Norwegian company law and Norwegian recommendations for corporate governance, last revision 21 October 2009.

North Energy's decisions and actions shall be based on the company's basic values:

- To be at the forefront
- Competent
- Bridge-builder
- Fearless voice in the north

It is the task of the management to ensure that the areas of responsibility are, individually and combined, given priority, based on North Energy's basic values and in compliance with Norwegian recommendations for corporate governance.

1. Business activities
In its Articles of Association, North Energy has clear frameworks for its business activities, while visions, objectives and strategies are embedded in the company's management system. Throughout 2009, this was made even more tangible because of the work that the Board of Directors and the administration put in ahead of the company's flotation on the Oslo Stock Exchange.

2. Share capital
The company's share capital shall be adapted its objectives, strategies and risk profile. North Energy has not paid any dividend and is not expected to pay any dividend for the next few years.

3. Equal treatment of shareholders and transactions with related parties
If North Energy is party to a transaction with a party closely related to the company or with companies in which Board members or senior employees or their relatives have a direct or indirect significant interest, the parties involved must immediately report this to the Board of Directors. Any such transaction must be approved by the Managing Director and the Board of Directors and, when required, it must also be reported to the market.

4. Free salability
The North Energy share is quoted on the Oslo Axess list. All shares are freely salable. There are no restrictions determined in its Articles of Association concerning the salability of the share.

5. Annual general meeting
The company's annual general meeting in 2009 were held in compliance with Norway's Companies Act. The annual general meeting resolved in December 2009 to convert the company to an ASA (public limited company). After that time, Norway's Public Limited Companies Act formed the basis for implementation of annual general meetings.

The annual general meeting is the North Energy's highest decision-making organ. The Board endeavours to ensure that the annual general meeting is an effective forum for communication between the Board and the company's shareholders. On the part of the Board, preparations are therefore made for the maximum participation of the company's shareholders at the annual general meeting. Invitations and case documentation are made available on the company's Internet site no later than 21 days before the annual general meeting.

The Board sets the agenda for the annual general meeting. However, the most important items on the agenda result from the Public Limited Companies Act and from the company's Articles of Association.

6. Election committee
The election committee's duties are to provide a reasoned recommendation to the annual general meeting concerning the election to the Board of members chosen by shareholders, and to suggest a Chair and Deputy Chair. The election committee shall also table proposals for fees payable to members of the Board and to propose members for the election committee. The election committee's work is regulated by instructions from the annual general meeting.

Payment to the election committee is a fixed sum which is not dependent on operating results. The annual general meeting is the decision-making organ for all recommendations tabled by the election committee.

7. Shareholder Board and Board of Directors, composition and independence
North Energy has chosen not to have a Shareholder Board.

The organisational structure of the Board of Directors conforms to the Public Limited Companies Act and is composed of 3 women and 5 men, all of whom have wide-ranging experience. The Board Members represent both industry-specific expertise and professional expertise from national and international companies.

North Energy understands that all Board Members are independent of the company's management and essential business connections. At present, 3 of the Board Members own shares in North Energy directly or indirectly. None of the Board Members possess options to purchase more shares.

8. The work of the Board
The work of the Board is governed by instructions to the Board. In principle, the work consists of administering North Energy, including the establishment of the company's strategy and overall objectives, undertaking programmes of action and ensuring a justifiable organisation of the business in line with the company's Articles of Association. The Board can also set guidelines for the business and give orders in individual cases. The Board shall administer North Energy's interests as a whole and not behave as individual shareholders.

There is a clear division of responsibility between the Board and the day-to-day management. The Managing Director is responsible for the operational management of the company and makes regular reports to the Board.

The Board carries out an evaluation of its work, competence and performance on an annual basis.

19 Board meetings were held in 2009.

9. Risk management and internal controls
North Energy's business is subject to a management system that encompasses all areas within which the company operates. The management system is divided into three levels, in which level 1 describes the company's visions, objectives, strategies and organisation. Level 2 describes business processes, while at level 3 necessary work instructions and other supporting documentation are given.

The company's management team monitors, on a daily basis, situations in which the company has a financial risk and reports on this to the Board. Exceptions are systematically monitored and corrective measures implemented.

10. Remuneration to the Board
The election committee proposes. to the Annual General Meeting, remuneration for members of the Board and takes into consideration responsibilities, qualifications, time consumption and complexity. None of the Board's members have duties in the company apart from that which is evident from this report.

11. Remuneration to senior employees
The Board establishes the salaries for the Managing Director and takes into consideration responsibilities, qualifications, complexity and results achieved. The Board also establishes the principles for salaries for other senior employees within the company, and these are reported at the annual general meeting. All employees have the same performance-based bonus arrangements. Further information is made clear in the notes to the annual accounts.

12. Information and communicatio
North Energy regularly keeps shareholders and investors informed of commercial and financial status. The requirement for information of this type has increased because of the flotation of the company on the stock exchange and the expansion of the body of shareholders. The Board is concerned with ensuring that the players on the stock market receive the same information at the same time, and all financial and commercial information will therefore be made available on the company's Internet site www.northenergy.no. Stock exchange notices will be distributed via Hugin at www.newsweb.no.

North Energy's annual accounts will be made available on the company's website 3 weeks before the annual general meeting, at the latest. Quarterly reports are made public within 2 months of the end of the quarter. Quarterly presentations are transmitted directly over the Internet. North Energy publishes an annual financial calendar which is available on the Oslo Stock Exchange website.

The Board places stress on openness and equality of treatment in relation to all players on the market and strives always to provide as correct a picture of the company's financial position as possible.

13. Company takeover
North Energy's Articles of Association do not contain any limitations or defence mechanisms as regards acquisition of the company's shares. In concordance with its general responsibility for the administration of North Energy, the Board will act in the best interests of all of the company's shareholders in a situation of this type.

14. Auditor
The annual accounts are audited. The Board receives and processes reports from the auditor after the annual accounts for the year in question have been audited. The auditor submits an annual plan for implementing the auditing work, and participates in Board meetings in which the processing of accounts requires the presence of the auditor. The auditor submits a statement about independence and objectivity. The Board studies this to ensure that the auditor fulfils a satisfactory and independent control function. The Board submits the auditor's report to the annual general meeting which also approves the auditor's fee.

Photo: Thinh Vu, Fieldtrip in June 2009 (Svetlana Boborykina)

Board of Directors' Annual Report

North Energy
North Energy ASA was formed on 4 September 2007. The object of the company is to become a leading player in the oil and gas industry in North Norway through conducting exploration and production in the Norwegian Sea and the Barents Sea.

North Energy is headquartered in Alta and has branch offices in Oslo and Stavanger.

Through the 20th licensing round, which was allocated in May, North Energy obtained partnerships in four licences, of which an operatorship on PL 526. In addition the company obtained three licences via TFO 2009, which was allocated in January 2010. Of these seven licences, five are in the Norwegian Sea and two in the Barents.

The main focus in 2009 has been on surveying of exploration areas in connection with licence applications, management of allocated licences and adjustment of the exploration portfolio.

In addition the company has worked on a capital extension to finance the planned exploration programme up to and including 2012. This resulted in a successful share issue being held on 3 February 2010. North Energy was quoted on Oslo Axess on 5 February 2010 and, in preparation for this, was converted into a public limited company in November 2009.

In the autumn of 2009 North Energy negotiated an agreement with the owners of 4sea energy AS to take over all the shares in that company against payment in shares in North Energy. The transaction was finalised in February 2010. 4sea energy owns two licences in the North Sea.

Through 2009 North Energy has bought ownership interests in two licences in the Norwegian Sea. In all, North Energy therefore has ownership interests in 13 licences and is an operator on one of them.

North Energy is working to contribute to enhanced local wealth creation and good industrial solutions. It lays particular weight on studying the potential for positive coexistence between exploration and production activity and other economic activity in the Lofoten and Vesterålen archipelagos.

Going Concern
In conformity with Section 3-3a of the Accounting Act, it is hereby confirmed that the assumptions for going-concern are present. This conclusion is based on profit prognoses for 2010 and the company's long-term strategic prognoses.

Future developments
Since start-up in 2007, North Energy's main objectives have been developing a strong organisation, allocation and purchase of good licences, implementation of the exploration programme and investment in field development and production. It is one of the aims of North Energy to contribute to local wealth creation as the oil industry moves northwards.

North Energy was working through 2009 on a share issue intended to finance a defined eight-well exploration programme. Under this programme it is planned to drill three holes in 2010, three in 2011 and two in 2012. The issue was fully-subscribed and strengthened North Energy's equity by NOK 350 million. In addition, North Energy has taken over all the shares in the company 4sea energy AS against issue of shares in North Energy. At the beginning of 2010 4sea energy had cash and tax refunds of almost NOK 50 million, which serves to strengthen North Energy's own capital base further.

Together with available funds from previous issues, plus the exploration loan that the company negotiated with the Swedish bank Svenska Enskilda Banken, North Energy has fully-financed the planned exploration programme. The Board considers North Energy's liquidity to be satisfactory.

The exploration programme began in February 2010 with Licence 433, on which Centrica Energi is operator. North Energy is participating with an ownership interest of 12%.

North Energy intends to participate in future licensing rounds. On the basis of good exploration expertise and strong financing, it is quite ambitious about good allocations. The Board is concerned that the work of strengthening and optimis-

Photo: Employees in North Energy (Christina Søgård)

ing the portfolio and the company will therefore evaluate opportunities for purchase and sale of licences. North Energy is furthermore active in the discussions about opening up controversial exploration areas in the north; the company has led analyses that may contribute to such controversial areas being opened without conflict with local interests. The company will continue to play an active role in the analyses and discussions that will take place regarding these areas.

Description of the annual accounts
The company has no sales. Pre-tax results in 2009 were a loss of NOK 208.4 million, compared with the 2008 loss of NOK 140.3 million. The profitability trend reflects the fact that the company has been in a development phase in which the number of licences increased to eight at the end of 2009. Licence and exploration costs account for most of the loss, having increased from NOK 62.8 million in 2008 to NOK 113.1 million in 2009. The HR costs in 2009 were NOK 62.4 million as compared with NOK 42.0 million in 2008.

Loss after tax in 2009 was NOK 64.4 million compared with NOK 39.3 million the preceding year.

Of the total balance sheet of NOK 242.3 million, NOK 152.9 million is equity. This yields an equity ratio of 63%. After the balance sheet date the company strengthened the equity by NOK 350 million through a public offering in February 2010. In addition, in February 2010 North Energy strengthened its capital base via the acquisition of the company 4sea energy AS.

Of the asset side of the balance sheet, the tax receivable from the refund scheme has been valued at NOK 149.0 million. This is an increase from NOK 101.0 million in 2008. In addition the company's cash and cash equivalents have increased from NOK 13.3 million in 2008 to NOK 45.7 million in 2009. As of 31 December 2009, NOK 45.0 million had been drawn down on the company's exploration loan with Svenska Enskilda Banken, as against NOK 9.3 million at the end of 2008. All interest-bearing debt was repaid in February 2010.

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

Risk assessments
Paramount on objectives and strategy
The company is exposed to financial risk in various areas, but to a limited degree as there is little borrowing and contracts in foreign currency. Increased exposure in these areas is, however, being planned in the years to come. The objective is to reduce financial risk as far as possible. The company's present strategy does not include the use of financial instruments, but this is subject to ongoing consideration by the Board.

Currency and market risk
North Energy is not participating in producing fields and is thus not exposed to the big fluctuations in the oil price. The company has not entered into futures contracts or other agreements in order to reduce the company's currency risk and thereby the operational market risk.

Interest-rate risk
The company is exposed to changes in the interest rate, as the company's debt carries floating interest rate. Moreover, changes in the interest rate can affect investment opportunities in future periods.

Credit risk
The risk of bad debts is considered low, as in this phase the company's claims are mostly on the Norwegian Government in connection with the fiscal value of exploration costs.

Operational risk
The company's operational risk is closely associated with key personnel and expertise. Moreover, as an exploration company North Energy is dependent on the political will to exploit the resources in interesting areas.

Health, Safety and Environment
In 2009 sickness absence in the company accounted for 1.8% of total working hours, which is regarded as satisfactory. The company will continue to safeguard the health of the staff, inter alia via training facilities and offers of physiotherapy. No work accidents have been reported during the year.

The company has established a working environment committee and its meeting schedule. Collaboration with union officials has been constructive and contributed positively to operations.

The Board perceives the working environment as highly satisfactory. A climate survey among the staff will be carried out in 2010 and will be used as a basis for measures to further improve the working environment.

North Energy's activity in 2009 pollutes the external environment only to a limited extent. The biggest factor is air travel, and in this connection the company has prepared a climatic impact report so as to follow the trend. The company makes extensive use of modern video / speech conferencing between the offices so as to limit travel. The business does not use ecologically injurious chemicals and generates no dust or noise.

The business has moved to new building, the Kunnskapsparken in Alta, which is equipped with a modern energy-saving and clock-controlled ventilation plant. The heating plant has clock-controlled nocturnal temperatures and lighting. All waste is sorted.

The company is participating in exploration drilling on PL 433, on which Centrica is operator. It is planned to conclude this operation towards the end of April 2010. Up to now, no injuries to personnel or pollution of the external environment has been reported. Centrica has facilitated the involvement of the partnership in connection with preparations and implementation of well 6506/9-2-S on PL 433 and North Energy has in this connection discharged its "supervisory obligation" in satisfaction of regulatory requirements.

Equality of opportunity
North Energy aims to be a workplace in which women and men have equal opportunities. Company policy is zero tolerance of discrimination between the sexes.

Of the company's 39 employees, 13 are women; the Board consists of three women and five men. The same gender ratio is also to be found in the company's management.

The company will continue to focus on equal gender opportunities and wishes to maintain a high percentage of women in senior positions.

Active ownership and corporate governance
Active ownership and corporate governance are the Board's most important tools for ensuring that the company's resources are managed in an optimal fashion and contribute to long-term wealth creation for the shareholders. In 2009 North Energy has undergone a comprehensive process to ensure that the company is in fill compliance with the NUES recommendation of 21 October 2009. In 2009 the Board held 19 meetings. There was special focus on the flotation and capitalisation of the company, inter alia involving a conversion of the corporate form from limited company to public limited company. In addition, the Board has concentrated on the strategic positioning of the company plus acquisition of licences and the company 4sea energy AS. In consequence of the capitalisation of the company, the shareholder agrement made at the start-up of North Energy in October 2007 has now lapsed.

In the course of 2009 the composition of the Board of North Energy changed, in that Arnulf Østensen and Guri H. Ingebrigtsen joined the Board, while Anna M. Aursund left it.

Profit/loss for the year and allocations
The company has no distributable equity at the end of the year. The Board proposes that the loss for the year, c. NOK 64,417,000, be transferred to uncovered losses.

Alta, 8 April 2010

Johan Petter Barlindhaug Chairman	Harriet Hagan Board member	Leif W. Finsveen Board member	Eirik F. Hansen Board member

Guri H. Ingebrigtsen Board member	Arnulf Østensen Board member	Kristin Ingebrigtsen Board member	Hans Kristian Rød Board member	Erik Karlstrøm CEO

Income Statement

(NOK 1 000)	Note	2009	2008
Payroll and related cost	5	-62 370	-41 969
Depreciation and amortisation	17	-3 414	-2 013
Exploration expenses		-113 098	-62 789
Other operating expenses	6	-28 752	-34 031
Operating profit		-207 633	-140 802
Finance income	19	4 300	1 925
Finance costs	19	-5 113	-1 405
Net financial items		-813	520
Profit before income tax		-208 446	-140 282
Income tax credit	16	144 029	101 005
Profit for the year		-64 417	-39 277
Earnings per share (NOK per share)			
- Basic	14	-8,07	-11,91
- Diluted	14	-8,07	-11,91

Statement of Compre-hensive Income

(NOK 1 000)	Note	2009	2008
Profit for the year		-64 417	-39 277
Other comprehensive income, net of tax:			
Actuarial gains/-losses pension	22	166	-2 701
Total other comprehensive income, net of tax		166	-2 701
Total comprehensive income for the year		-64 250	-41 978

Balance sheet

(NOK 1 000)	Note	31-12-09	31-12-08
ASSETS			
Non-current assets			
Property, plant and equipment	17	13 387	15 597
Intangible assets	18	9 382	0
Other receivables	7	9 782	4 507
Sum anleggsmidler		32 551	20 104
Current assets			
Prepayments and other receivables	8	15 118	7 717
Tax receivable refund tax value exploration expenses	16	148 960	101 005
Cash and cash equivalents	9	45 671	13 331
Cash and cash equivalents		209 748	122 053
Total assets		242 299	142 157

(NOK 1 000)	Note	31-12-09	31-12-08
EQUITY AND LIABILITIES			
Equity			
Share capital	10	9 201	5 811
Share premium		233 573	147 639
Other paid-in capital		26 999	8 080
Retained earnings		-116 837	-52 588
Total equity		152 935	108 943
Liabilities			
Non-current liabilities			
Pension liabilities	22	6 110	1 818
Total non-current liabilities		6 110	1 818
Current liabilities			
Current borrowings	12	45 000	9 289
Trade creditors		16 949	5 712
Other current liabilities	13	21 305	16 395
Total current liabilities		83 254	31 396
Total liabilities		89 364	33 214
Total equity and liabilities		242 299	142 157

Alta, 8 April 2010

Johan Petter Barlindhaug
Chairman

Harriet Hagan
Board member

Leif W. Finsveen
Board member

Eirik F. Hansen
Board member

Guri H. Ingebrigtsen
Board member

Arnulf Østensen
Board member

Kristin Ingebrigtsen
Board member

Hans Kristian Rød
Board member

Erik Karlstrøm
CEO

Statement of Changes in Equity

(NOK 1 000)	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1st of January 2008		1 500	119	45 000	-10 609	36 010
Capital reduction		-1 350	0	1 350	0	0
Registration paid-in capital		1 800	43 200	-45 000	0	0
Share issues		3 861	104 320	0	0	108 181
Share-based payment, warrants	11	0	0	6 730	0	6 730
Total compehensive income for 2008		0	0	0	-41 978	-41 978
Equity at 31st of December 2008		**5 811**	**147 639**	**8 080**	**-52 588**	**108 943**
Equity at 1st of January 2009		5 811	147 639	8 080	-52 588	108 943
Share issues		3 390	94 319	0	0	97 709
Share issue expenses		0	-5 442	0	0	-5 442
Underwriters warrants		0	-2 944	2 944	0	0
Share-based payment, warrants	11	0	0	13 308	0	13 308
Share-based payment, bonus shares	5	0	0	2 667	0	2 667
Total compehensive income for 2009		0	0	0	-64 250	-64 250
Equity at 31st of December 2009		**9 201**	**233 573**	**26 999**	**-116 837**	**152 935**

Cash Flow Statement

(NOK 1 000)	Note	2009	2008
Cash flow from operating activities			
Profit before income ta		-208 446	-140 282
Adjustments:			
Tax refunded	16	98 221	13 701
Deprecitiation	17	3 414	2 013
Pensions		1 262	-1 029
Expensed share-based payment recognised in equity		15 975	6 730
Changes in trade creditors		11 237	4 241
Changes in other accruals		-2 491	8 339
Net cash flow from operating activities		-80 827	-106 287
Cash flow from investing activities			
Purchase of property, plant and equipment	17	-1 204	-13 712
Purchase of intangible assets	16,18	-11 529	0
Changes in other non-current receivables	7	-2 079	-2 832
Net cash flow from investing activities		-14 811	-16 544
Cash flow from financing activities			
Borrowings/repayments of current borrowings	12	35 711	9 289
Proceeds from share issues		92 267	108 181
Net cash flow from financing activities		127 978	117 470
Net change in cash and cash equivalents		32 340	-5 361
Cash and cash equivivalents at 1st of January	9	13 331	18 692
Cash and cash equivivalents at 31st of December	9	45 671	13 331

Notes

Note 1 General information

North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office in Alta. The company's shares were listed on Oslo Axess 5 February 2010. The company's only business segment is exploration for oil and gas on the Norwegian continental shelf.

The financial statements were approved by the board of directors and CEO at 8 April 2010.

Note 2 Summary of significant accounting policies

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

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

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

2.2 Changes in accounting policy and disclosures
(a) New and amended standards adopted
The company has adopted the following new and amended IFRSs, without any material impact on the financial statements. This applies to:
- IFRS 7 Financial Instruments disclosures.
- IAS 1 Presentation of Financial Statements.
- IFRS 2 Share-based Payment.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company
The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2010 or later periods, but the company has not early adopted them:
- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions.
- IFRS 3 Business Combinations.
- IAS 27 Consolidated and Separate Financial Statements.
- IFRS 9 Financial instruments.
- IAS 24 Related parties – definitions.
- IAS 32 Financial instruments – Puttable financial instruments and obligations arising on liquidation.
- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items.
- IAS 38 Intangible Assets.
- IFRS 5 Measurement of non-current assets (or disposal group) classified as held-for-sale.
- IAS 1 Presentation of Financial Statements.
- IFRIC 12 Service concession arrangements.
- IFRIC 14 Amendment – Prepayments of a Minimum Funding Requirement.
- IFRIC 15 Agreements for the construction of real estate.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation.
- IFRIC 17 Distribution of Non-cash Assets to Owners.
- IFRIC 18 Transfers of Assets from Customers.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.
- Improvements to IFRSs: 15 amendments in 12 standards.

These standards and interpretations are not expected to have any material impact on the financial statements.

2.3 Foreign currency
Functional currency and presentation currency
The financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the company.

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

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

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

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

Capitalised costs of acquiring licenses and capitalised costs of drilling exploration wells are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher if the asset's fair value less costs required to sell the asset and its value in use. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. The difference between the assets carrying amount and its recoverable amount is recognised in the in income statement as impairment.

2.6 Farm in and Farm out in the exploration phase
Agreements in connection with acquisitions/sale of interests in licences in the explora-

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

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

2.7 Interests in Joint Ventures
The company's investments in joint ventures, including jointly controlled operations (oil and gas licenses), are accounted for by recognising the company's share of the joint ventures' individual income, expenses, assets, liabilities and cash flows. Each item is classified and presented in its respective line-items in the financial statements.

2.8 Leases (as lessee)
Financial leases
Leases where the company assumes most of the risk and rewards of ownership, are classified as financial leases. The company does not have any such leases.

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

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

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

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

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

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

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

2.13 Pension plans
Pension plans are financed through payments to insurance companies, and are determined based on periodic actuary estimates. The Company has a defined benefit plan. This is a pension plan which defines the pension payment that the employee will receive when retiring. The pension payment is generally influenced by one or several factors, such as age, years of service and salary.

The recognised liability is the present value of the defined benefits on the balance sheet date less the fair value of the plan assets, adjusted for unrecognised variances in estimates and any unrecognised costs linked to previous periods pension earnings. The pension liability is estimated yearly by an independent actuary, based on a linear method. The present value of the defined benefits is determined by discounting the estimated future payments by the interest of an obligation issued by a company with high credit-rating in the same currency as in the benefit will be paid, and within the terms approximately equal to the terms of the related pension liability.

Variances in estimates due to new information or changes in actuary assumptions are recognised directly in the equity through the statement of comprehensive income in the period in which they arise.

Changes in the benefits of the pension plan are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the costs of changed benefits are amortised on a straight-line basis over the vesting period.

2.14 Share-based payment
The company has share-based payment consisting of warrants granted to CEO and other employees of the management, and bonus shares as part of the company's general bonus programme for employees.

All programs at 31 December 2009 are equity-settled.

Fair value of the warrants are estimated on the grant date and charged to expenses over the vesting period. The company recognises a corresponding increase in equity, classified as other paid-in capital.

Fair value of the bonus shares are charged to expenses. The company recognises a corresponding increase in equity, classified as other paid-in capital.

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

The company recognises a provision and an expense for severance payment when there exists an legal obligation to pay severance payment.

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

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

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

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

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

2.18 Segment reporting
The company's only business segment is exploration for oil and gas on the Norwegian continental shelf

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

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

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

3. Financial risk management

3.1 Financial risks

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

Furthermore, the company is exposed to certain types of financial risks. Management involves receivable, loans, accounts payable and drawing rights to financial institutions. The company does not undertake any interest-bearing investments beyond employee loans and bank deposits. The business activities of the company involve exposure to credit risk, interest rate risk, liquidity risk and currency risk.

(a) Credit risk

The company is mainly exposed to credit risk related to bank deposits and loans to employees. The exposure to credit risk is monitored on an ongoing basis. Investments are only allowed in bank deposits. As all counterparties have high credit rating, there are no expectations that any of the counterparties will not be able to fulfil their liabilities. There were no material concentration of credit risk on the balance sheet date. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The company holds no receivables or loans in foreign currency.

(b) Interest rate risk

The company's exposure to interest rate risk is related to usage of credit facility, with floating interest rate conditions. The company is exposed to interest rate risk as part of its normal business activities and the aim is to keep this risk at an acceptable level.

At 31 December 2009 the company has a revolving credit facility which entitles the company a loan up to MNOK 300. Interest rate is NIBOR+1,1%. The loan is secured by a pledge in tax receivables from refund according to the Norwegian Petroleum Tax Act and the interests in production licences which the company at any time has. The company has no other interest-bearing borrowings.

At 31 December 2008 the company had a bank overdraft facility with limit MNOK 10 and interest rate NIBOR + 0,55%

Sensitivity analysis:

Interest rate sensitivity is calculated based on exposure to interest rate risk on the balance sheet date. If NIBOR would have been 50 basis points higher/lower, the company's profit after tax would have been TNOK 162 lower/higher. Corresponding figures for 2008, based on the same assumptions, was TNOK 33.

(c) Liquidity risk

Liquidity risk is the risk of being unable to pay financial liabilities as they fall due. The company's financial liabilities are short term and fall due within 0 - 6 months, except for current borrowings/funds drawn MNOK 45 which fall due within 6 – 12 months.

(d) Currency risk

The company has defined NOK as its functional currency. The company is exposed to currency risk related to its activities because the value of potential discoveries is correlated with USD and parts of the company's expenses are USD based. The company has not entered into any agreements to reduce its exposure to foreign currencies. A weak Norwegian krone will increase the expenses, as to the contrary with a strong Norwegian krone.

3.2 Capital management

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

The company monitors it's capital structur using a equity ratio, which is total equity divided by total assets. As at 31 December 2009 the equity ratio was 63,1% (76,6% as at 31 December 2008).

Note 4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

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

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

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

a) Tax receivable from refund tax value exploration expenses

The Norwegian taxation authorities may have a different understanding than the company regarding the definition of indirectly exploration expenses according to the Norwegian Petroleum Tax Act. See note 16.

b) Deferred tax assets

Most critical estimates influencing carrying amount is related to valuations/judgement of utilization of deferred tax assets. See note 16.

c) Pensions

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

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

Other pension assumptions are partly based on market terms. Additional information is presented in note 22.

4.2 Critical judgements in applying the company's accounting policies

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

a) Accounting policy for exploration expenses

The company uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred.

Note 5 Payroll and related cost, remuneration to board of directors and management

Amounts in NOK 1 000	2009	2008
Salaries	36 561	23 375
Share-based payment, bonus shares	2 667	0
Share-based payment, warrants (note 11)	4 934	10 887
Payroll tax	2 325	1 360
Pension costs (note 22)	9 503	3 533
Other benefits	6 380	2 814
Total	62 370	41 969
Average number of employees	37	31

Remuneration to board of directors and management in 2009:

Amounts in NOK 1 000	Director's fees	Salaries (*)	Bonus	Pension	Other (**)
Management					
Erik Karlstrøm (CEO)		3671	408	3078	791
Astrid M. Tugwell (Development Manager)		1280	183	192	332
Svein Johansen (Exploration Manager Norwegian Sea)		1593	250	583	256
Lars Tveter (HSE Manager)		1 241	163	410	325
Torleiv Agdestein (Chief Geologist)		1362	93	218	346
Knut Aaneland (Manager of Technology & Business dev.)		1295	133	358	255
Vigdis Wiik Jakobsen (Exploration Manager Barents Sea)		1471	131	289	883
Marion Høgmo (Administration Manager)		845	98	104	19
Knut Sæberg (CFO)		1583	0	304	15
Board of directors:					
Johan P. Barlindhaug (Chairman)	220				
Leif W. Finsveen (Board member)	110				
Harriet Hagan (Board member)	110				
Eirik F. Hansen (Board member)	110				
Kristin Ingebrigtsen (Board member)	110				
Hans Kristian Rød (Board member)	110				
Arnulf Østensen (Board member)	0				
Guri Helene Ingebrigtsen (Board member)	0				
Anna M. Aursund (former Board member)	110				
Totalt	880	14 341	1 459	5 536	3 223

(*) Erik Karlstrøm has an agreement with an annual salary of NOK 2,45 million. In 2009 it has been paid salary to Erik Karlstrøm for 2007 and 2008 in connection with a salary increase in 2009 with effect from 1 November 2007.

(*) Other include benefit from free car, loan interest rate benefit, benefit from free housing, allowances to cover telephone and internet, group life insurance, travel insurance and benefit from acquisition of shares at discounted price in connection with exercise of warrants.

Remuneration to CEO:
The company's CEO has an agreement with an annual salary of NOK 2,45 million. Other benefits include free car, loan interest rate benefit, and regular allowances to cover telephone, internet, pension, group life insurance and travel insurance. In addition, he is included in the company's general employee bonus program as determined by the board of directors. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 on cash and bonus shares, where the cash bonus is earned first. In case of resignation at the request of the board of directors, CEO has a right to a severance payment equivalent with 2 years gross fixed salary. If CEO resigns, there is no severance payment. CEO has further an early retirement pension scheme from the age of 62 until the ordinary retirement age (67 years), where the pension is 67% of final salary paid. See note 11 for information about CEO's subscription rights.

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

Severance payment:
CEO and CFO have agreements covering severance payment. In case of resignation at the request of the board of directors, they have the right to a severance payment equivalent with 2 years gross fixed salary.

Warrants:
See note 11 for information about warrants for CEO and other employees of the management.

Information about loan to employees, incl. interest benefit 2009:

Amounts in NOK 1 000	loan at 31.12.09	Maturity	Interest benefit	Interest rate
Erik Karlstrøm	1 735	10 år	31	2%
Torleiv Agdestein	1 892	20 år	32	2%
Artem Rabey	2 363	20 år	19	2 - 6% (*)
Totalt	5 989		82	

(*) Interest rate is 2% for loan NOK 2 million and 6% for loan NOK 0,45 million.

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

Remuneration to board of directors and management in 2008:

Amounts in NOK 1 000	Director's fee	Salaries (*)	Bonus	Pension	Other (**)
Management:					
Erik Karlstrøm (CEO)		1 965	267	106	123
Astrid M. Tugwell (Development Manager)		1 090	183	58	103
Svein Johansen (Exploration Manager Norwegian Sea)		1 540	250	104	16
Lars Tveter (HSE Manager)		902	163	35	50
Torleiv Agdestein (Chief Geologist)		600	92	45	105
Knut Aaneland (Manager of Technology & Business dev.)		808	133	60	4
Vigdis Wiik Jakobsen (Exploration Manager Barents Sea)		563	131	94	22
Board of Directors:					
Johan P. Barlindhaug (Chairman)	213				
Leif W. Finsveen (Board member)	74				
Harriet Hagan (Board member)	26				
Eirik F. Hansen (Board member)	100				
Kristin Ingebrigtsen (Board member)	26				
Hans Kristian Rød (Board member)	26				
Arnulf Østensen (Board member)	0				
Tore Andreassen (former Board member)	84				
Harald Karlstrøm (former Board member)	84				
Anna M. Aursund (former Board member)	21				
Total	653	7 469	1 219	503	423

Information about loan to employees, incl. interest benefit 2008:

Amounts in NOK 1 000	loan at 31.12.08	Maturity	Interest benefit	Interest rate
Erik Karlstrøm	1 920	10 year	57	2%
Torleiv Agdestein	1 992	20 year	7	2%
Total	3 912		64	

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

The board of director's declaration regarding determination of salary and other remuneration to management employees

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

The main principle for the company is that the renumeration to management is competitive in a way that the company is able to attract and retain competent management employees. The remuneration shall be competitive and based on individual criterias such as experience, area of responsibility and achievement of results. The remuneration system for management employees shall further stimulate a strong and lasting profit oriented organisation which contributes to increasing the shareholder value.
Total remuneration to management employees include:

(1) Market based fixed salary.
(2) Bonus. The management is included in the company's general employee bonus program. The bonus is limited to 1/3 of fixed salary, with distribution 50/50 on cash and bonus shares, where the cash bonus is earned first. The bonus is linked to the achievement of specified parameters for each of the executive management's area of responsibility. Both financial and non-financial parameters are used.

(3) Pension and insurance. The management is included in the company's general pension and insurance scheme. CEO has in addition an early retirement pension scheme from the age of 62 until the ordinary retirement age (67 years), where the pension is 67% of final salary paid.
(4) Severance payment. CEO and CFO have agreements covering severance payment. In case of resignation at the request of the board of directors, they have the right to a severance payment equivalent with 2 years gross fixed salary.
(5) Warrants granted.
(6) Other benefits such as free car, loan interest rate benefit, and regular allowances to cover telephone, internet and travel insurance.

Note 6 Other operating expenses and remuneration to auditor

Other operating expenses include:

Amounts in NOK 1 000	2009	2008
Travelling expenses	5 084	4 862
Lease expenses (note 21)	4 382	4 122
Consultant's and other fees	4 451	14 013
Advertising costs	3 578	2 670
Other administrative expenses	11 257	8 364
Total	28 752	34 031

Remuneration to auditor is allocated as specified below:

Amounts in NOK 1 000	2009	2008
Audit	75	95
Tax assistance	49	22
Attestations	91	4
Legal assistance	71	0
Accounting assistance	778	0
Due diligence, prospectus	1 167	0
Total, excl. VAT	2 230	121

Note 7 Other non-current receivables

Other non-current receivables include:

Amounts in NOK 1 000	2009	2008
Loan to employees (note 5 og 15)	5 989	3 912
Deposit	421	420
Pension assets (note 22)	3 372	175
Total	9 782	4 507

Note 8 Prepayments and other receivables

Prepayments and other receivables include:

Amounts in NOK 1 000	2009	2008
Prepaid expenses	2 960	3 053
VAT receivable	4 138	4 664
Receivables, Joint Venture	8 013	0
Other items	7	0
Total	15 118	7 717

Note 9 Cash and cash equivalents

Amounts in NOK 1 000	2009	2008
Bank deposits	45 671	13 331
Total cash and cash equivalents	45 671	13 331
Of this:		
Restricted cash for witheld taxes from employees salaries	3 250	1 817
Restricted cash on escrow account	10 000	0

(*) Amount paid to an escrow account in connection with acquisition of interest in license PL433. The amount will be released after the first drilling, which is expected to be completed in 2010.

Note 10 Share capital and shareholder information

	2009	2008
Number of outstanding shares at 1 January	581 122	15 000
New shares issued during the year:		
Issued in exchange for cash	338 975	566 122
Total number of outstanding shares before share split 1:10	920 097	581 122
Share split 1:10 in December 2009	9 200 970	
Number of outstanding shares at 31 December	9 200 970	581 122
Nominal value NOK per share at 31 December	1	10
Share capital NOK at 31 December	9 200 970	5 811 220

North Energy has one class of shares with equal rights for all shares. No dividend has been paid for 2008 or 2009. Refer to note 11 for number of outstanding warrants.

Main shareholders as of 31 December 2009:

	Shareholders	No of shares	
1	JPB AS	1 336 610	14,53%
2	ORIGO KAPITAL AS	1 248 100	13,56%
3	SKS EIENDOM AS	1 138 210	12,37%
4	ONSHORE GROUP NORDLAND	813 334	8,84%
5	KAPNORD FOND AS	640 000	6,96%
6	ALTA KRAFTLAG A/L	600 230	6,52%
7	PERPETUUM INVEST AS	478 670	5,20%
8	NILSEN & SØNNER A/S	431 210	4,69%
9	HELGELAND VEKST A.S	315 000	3,42%
10	PETROINVEST NORD AS C/O HELGELAND VEKST	296 800	3,23%
11	OLJEINVEST AS	200 000	2,17%
12	SØR-VARANGER INVEST	180 160	1,96%
13	HELGELANDSBASE AS	133 330	1,45%
14	NORD TROMS KRAFTLAG	122 920	1,34%
15	ELEKTRO A/S	120 006	1,30%
16	KARLSTRØM ERIK	97 400	1,06%
17	HARALD NILSEN AS ENT	93 360	1,01%
18	REPVÅG KRAFTLAG	91 430	0,99%
19	NORDKYN KRAFTLAG A/L	81 000	0,88%
20	STRØM INVEST AS	80 000	0,87%
	Sum	8 497 770	92,36%
	Other shareholders	703 200	7,64%
	Total	9 200 970	100,00%

Number of shares owned by management and Board of directors at 31 December 2009:

Management		
Erik Karlstrøm (CEO)	97 400	1,06%
Torleiv Agdestein (Chief Geologist)	32 250	0,35%
Svein Johansen (Exploration Manager Norwegian Sea)	32 350	0,35%
Astrid M. Tugwell (Development Manager)	32 350	0,35%
Lars Tveter (HSE Manager)	32 700	0,36%
Knut Aaneland (Manager of Technology & Business development)	33 600	0,37%
Vigdis Wiik Jakobsen (Exploration Manager Barents Sea)	36 500	0,40%
Marion Høgmo (Administration Manager)	1 500	0,02%
Board of directors		
Johan P. Barlindhaug (Chairman), through JPB AS	1 336 610	14,53%
Total	1 635 260	17,77%

Number of shares owned by management and Board of directors at 31 December 2008:

Management		
Erik Karlstrøm (CEO)	6 797	1,17%
Torleiv Agdestein (Chief Geologist)	2 265	0,39%
Svein Johansen (Exploration Manager Norwegian Sea)	2 265	0,39%
Astrid M. Tugwell (Development Manager)	2 265	0,39%
Lars Tveter (HSE Manager)	2 265	0,39%
Knut Aaneland (Manager of Technology & Business development)	2 265	0,39%
Board of directors		
Johan P. Barlindhaug (Chairman), through JPB AS	60 108	10,34%
Total	78 230	13,46%

Note 11 Warrants

"The company has entered into a contract with the CEO and six other employees of the management, which gives them the right to subscribe for shares in the company.

CEO has right to subscribe for shares such that he will own up to 2,5% of the outstanding shares in the company following the public share issue in connection with the listing on Oslo Axess. The subscription price per share is NOK 25 for shares bringing his shareholding up to 1,5% and NOK 0,10 for shares bringing his shareholding from 1,5% to 2,5%. Expiry date for the warrants is 17 February 2010. The exercise is subject to employment at the time of exercise of the warrants. A 3 years lock-in period for the shares subscribed according to the above applies. "

The other six employees of the management have right to subscribe for shares such that they will own up to 0,5% of the outstanding shares in the company following the public share issue in connection with the listing on Oslo Axess. The subscription price per share is NOK 25. Expiry date for the warrants is 17 February 2010. The exercise is subject to employment at the time of exercise of the warrants. A 3 years lock-in period for the shares subscribed according to the above applies.

All warrants at 31 December 2009 are equity-settled. The company has no legal or implicit obligations to buy back or settle the warrants in cash. Also CEO's warrants are equity-settled. In CEO's former contract, he could choose between settlement in cash or equity (subscribe for shares). This trade-off does not exist in the new contract.

See note 5 for total expenses in the income statement arising from warrants granted to employees.

Movement in estimated number of outstanding warrants for employees and average subscription price:

	2008 (*) Estimated number of warrants	2008 (*) Average subscription price NOK per share	2009(*) Estimated number of warrants	2009(*) Average subscription price NOK per share
Outstanding warrants at 1 January	812 690	17,37	621 190	15,48
Warrants granted	237 717	19,01	372 720	15,18
Warrants forfeited	0	0,00	0	0,00
Warrants exercised	-108 580	6,43	-181 220	1,00
Warrants expired	0	0,00	0	0,00
Outstanding warrants at 31 December	941 827	19,04	812 690	17,37
of these cash-settled	0		553 220	

(*) Number of warrants in 2009 and 2008 is after share split 1:10

Outstanding warrants for employees at 31 December 2009 are subject to the following conditions:

Subscription price NOK per share	Expiry date	Number of warrants
25	17-02-10	716 558
0,1	17-02-10	225 268
Total number of warrants		941 827

Weighted average fair value for warrants granted in 2009 is NOK 17,23 per warrant, and for warrants granted in 2008 NOK 10,08 per warrant (Amount for 2008 is adjusted for/after share split 1:10)

The fair value of the warrants has been estimated using Black & Scholes option-pricing model, based on the following assumptions:

Share price on the grant date:
The share price is estimated to NOK 25 - NOK 32.

Expected volatility:
The expected volatility is stipulated to be 60%. This is based on observations on comparable companies on the Oslo Stock Exchange since the company was not listed at the grant dates.

Weighted average expected term years:
Weighted average expected term years for outstanding warrants is 0,60 years (0,61 years for warrants granted in 2009 and 0,58 years for warrants granted in 2008).

Expected dividend yield:
The expected dividend per share is NOK 0 per annum

Expected risk-free interest rate:
The risk-free interest rate assumed when calculating fair value of the warrants is equal to the interest rate on government bonds during the term of the warrants (1,86% - 6,04%).

In addition to outstanding warrants granted to CEO and six other employees of the management as share-based payment, there exist 1.400.520 outstanding warrants for shareholders per 31 December 2009.

Of the outstanding warrants per 31 December 2009 related to share-based payment for CEO and and six other employees of the management, 516.735 of these warrants were exercised within the expiry date in February 2010 by Ninerik AS, a company controlled by CEO Erik Karlstrøm. Average subscription price was approx. NOK 12,70 per share.

Of the outstanding warrants for shareholders per 31 December 2009, all 1.400.520 warrants were exercised in February 2010. The subscription price was NOK 21,20 per share.

Note 12 Current borrowings

Current borrowings include:

Amounts in NOK 1 000	2009	2008
Bank overdraft (facility with limit MNOK 10)	0	9 289
Revolving credit facility ('Exploration loan' with limit MNOK 300)	45 000	0
Balance 31 december	45 000	9 289

The company's bank overdraft at December 31st 2008 is fully paid back in 2009. In 2009 the company has entered into a revolving credit facility agreement which entiltes the company a loan up to MNOK 300. The loan is secured by a pledge in tax receivables from refund according to the Norwegian Petroleum Tax Act and the interests in production licences which the company at any time has. Interest rate is NIBOR+1,1%. The loan is in NOK.

Note 13 Other current liabilities

Amounts in NOK 1 000	2009	2008
Public duties payable	3 760	2 343
Liability incurred - warrants (cash-settled)	0	8 374
Joint Venture	3 037	0
Vacation pay and bonus payable	9 105	2 554
Other accruals for incurred costs	5 403	3 124
Total	21 305	16 395

Note 14 Earnings per share

	2009	2008
Profit for the year (NOK 1 000)	-64 417	-39 277
Weighted average number of shares outstanding	7 978 807	3 298 976
Earnings per share (NOK per share)		
- Basic	-8,07	-11,91
- Diluted	-8,07	-11,91

Comparatives are adjusted due to share split 1:10 in December 2009.

The dilution effect of potentially shares from warrants, is in accordance with IAS 33.41 not presented in the income statement, as the exercise of warrants would have reduced loss per share.

Refer to note 11 for number of outstanding warrants.

Note 15 Related parties

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

(a) Purchases of services

Purchase of services from	Description of services	2009	2008
Origo Nord AS (management company for shareholder Origo Kapital AS)	Management services	0	1 080
Origo Nord AS (management company for shareholder Origo Kapital AS)	HR and other administrative services	186	0
Origo Økonomipartner AS (100% owned by Origo Nord AS, who is management company for shareholder Origo Kapital AS)	Accounting services	450	0
Origo Nord AS (management company for shareholder Origo Kapital AS)	Informasjons, web og konsulent tjenester	150	0
Barlindhaug Consult AS (controlled by Chairman Johan Petter Barlindhaug)	Consulting services	25	0

Services are purchased at market terms.
The managing director of Origo Kapital AS and Origo Nord AS is Harald Karlstrøm, who is the brother of CEO Erik Karlstrøm.

(b) Remuneration to management and Board of directors

Refer to note 5 and note 11

(c) Loans to related parties

The company has provided loans to management as follows:

	loan at 31.12.09	loan at 31.12.08	Maturity	Interest rate
Erik Karlstrøm (CEO)	1 735	1 920	10 år	2%
Torleiv Agdestein (Chief Geologist)	1 892	1 992	20 år	2%
Total loans to management	3 626	3 912		

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

Note 16 Tax

Spesification of income tax:

Amounts in NOK 1 000	2009	2008
Calculated refund tax value of exploration expenses this year	153 841	101 005
Of this refund not recognised in income statement (acquisition of licenses recognised net of tax)	2 147	0
Correction refund previous years	7 664	0
Total income tax credit	144 029	101 005

Specification of tax receivable refund tax value exploration expenses:

Amounts in NOK 1 000	2009	2008
Calculated refund tax value of exploration expenses this year	153 841	101 005
Correction refund previous years, not yet assessed	-4 881	0
Total tax receivable refund tax value exploration expenses	148 960	101 005

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

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

Amounts in NOK 1 000	2009	2008
Property, plant and equipment	3 992	3 724
Intangible assets	8 776	0
Pensions	-2 738	-1 643
Other current liabilities	-100	-8 593
Tax losses carried forward, offshore only 28% basis	-6 480	-758
Tax losses carried forward, offshore only 50% basis	-854	0
Tax losses carried forward, offshore both 28% and 50% basis	-25 759	-15 200
Total basis for deferred tax	-23 163	-22 470
Deferred tax asset	14 592	17 148
Not capitalised deferred tax asset (valuation allowance)	-14 592	-17 148
Deferred tax asset in balance	0	0

Reconciliation of effective tax rate:

Amounts in NOK 1 000	2009	2008
Profit before income tax	-208 446	-140 282
Expected income tax credit 78%	162 588	109 420
Adjusted for tax effects (28% - 78%) of the following items:		
Permanent differences	-9 510	-983
Correction refund previous years	-7 664	0
Correction assessed tax losses previous years	-980	0
Finance items	-2 960	-495
Change in valuation allowance for deferred tax assets	2 556	-6 937
Total income tax credit	144 029	101 005

Note 17 Property, plant and equipment

Amounts in NOK 1 000	Equipment, office machines etc.
2009	
Cost:	
At 1.1.2009	17 673
Additions	1 204
Disposals	0
At 31.12.2009	18 877
Depreciation and impairment:	
At 1.1.2009	-2 075
Depreciation this year	-3 414
Impairment this year	0
Disposals	0
At 31.12.2009	-5 489
Carrying amount at 31.12.2009	13 387
2008	
Cost:	
At 1.1.2008	3 961
Additions	13 712
Disposals	0
Per 31.12.2008	17 673
Depreciation and impairment:	
At 1.1.2008	-63
Depreciation this year	-2 013
Impairment this year	0
Disposals	0
At 31.12.2008	-2 075
Carrying amount at 31.12.2008	15 597
Economic life	3-10 years
Depreciation method	linear

Note 18 Intangible assets

Amounts in NOK 1 000	Capitalised exploration and license costs
2009	
Cost:	
At 1.1.2009	0
Additions (net of tax)	9 382
Disposals	0
At 31.12.2009	9 382
Amortisation and impairment:	
At 1.1.2009	0
Amortisation this year	0
Impairment this year	0
Disposals	0
At 31.12.2009	0
Carrying amount at 31.12.2009	9 382

Additions in 2009 comprise acquisition of interest in license PL433 and capitalised exploration costs in accordance with the successful efforts method.

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

Note 19 Finance income and costs

Finance income:

Amounts in NOK 1 000	2009	2008
Interest income bank deposits	767	1 023
Other interest income	3 025	805
Foreign exchange gain	509	97
Total finance income	4 300	1 925

Finance costs:

Amounts in NOK 1 000	2009	2008
Interest expense	5 018	354
Foreign exchange loss	84	1 051
Other items	12	0
Total finance costs	5 113	1 405

Note 20 Financial instruments

(a) Categories of financial instruments

At 31 Desember 2009:

Amounts in NOK 1 000	Loans and receivables
Assets:	
Other non-current receivables1)	6 410
Other current receivables	8 020
Cash and cash equivalents	45 671
Total	60 101

Amounts in NOK 1 000	"Financial liabilities measured at amortised cost"
Liabilities:	
Trade creditors	16 949
Other current liabilities2)	12 142
Current borrowings	45 000
Total	74 091

At 31 Desember 2008:

Amounts in NOK 1 000	Loans and receivables
Assets:	
Other non-current receivables1)	4 332
Other current receivables	0
Cash and cash equivalents	13 331
Total	17 663

Amounts in NOK 1 000	"Financial liabilities measured at amortised cost"
Liabilities:	
Trade creditors	5 712
Other current liabilities2)	2 554
Current borrowings	9 289
Total	17 555

1) Pension assets are excluded since they are not defined as financial instruments.

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

(b) Fair value of financial instruments

Fair value other non-current receivables:
The fair value of other non-current receivables is calculated by discounting cash flows with a rate equal to the alternative borrowing rate of 5,0% (2008: 5,0%). The discount rate correspond to 10-year fixed-rate loans with the addition of relevant credit rating.

Amounts in NOK 1 000	2009	2008
Other non-current receivables	5 023	3 298

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors, other current liabilities and current borrowings is approximately equal to fair value since the effect of discounting is not significant.

(c) Creditworthiness of financial assets

The company does not have a system that separates receivables and loans on counter-party credit rating.

Non-current receivables are mainly loans to employees. Cash and cash equivalents are receivables from two banks, and Standard & Poors credit rating for these banks is presented below:

Bank deposits:	45 671	13 331

Amounts in NOK 1 000	2009	2008
No external credit rating	0	0
A	38 906	0
AA	6 765	13 331
Total	45 671	13 331

(d) Financial risk factors

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

Note 21 Leases

The company has no finance leases.

The company has entered into operating leases for office premises, cars, machinery and office furniture.
The leases are cancellable and do not contain any restrictions on the company's dividend policy or financing opportunities.

The lease costs consist of ordinary lease payments and include:

Amounts in NOK 1 000	2009	2008
Lease office premises (inclusive joint costs)	2 982	3 439
Lease machinery and office furniture	384	33
Lease cars	1 016	650
Total lease costs (note 6)	4 382	4 122

Note 22 Pension

Actuarial assumptions:

	2009	2008
Discount rate	3,80%	3,80%
Expected rate of return on plan assets	5,80%	4,80%
Expected annual salary increases	4,00%	4,00%
Expected annual adjustment of pension benefits	3,75%	4,00%
Expected rate of G- regulation	3,75%	3,75%
Table used calculation of liability	K2005	K2005
Table used for calculation of disability	IR02	IR02

Average expected period of service until retirement age

Average expected lifetime (the number of years) for a person retiring when he / she turns 67 years

-Female	47
-Male	44

Average expected lifetime (number of years) 20 years after the balance sheet date for an individual who retire when he/she turns 67 years:

-Female	28
-Male	24

Pension expense recognised in income statement:

Amounts in NOK 1 000	2009	2008
Current service cost	8 813	3 335
Interest cost	177	5
Expected return on plan assets	-56	-77
Social security cost	569	270
Total pension expense included in payroll and related cost	9 503	3 533

Specification of net pension liability:

Amounts in NOK 1 000	2009	2008
Present value of funded obligations per 31.12	13 699	5 963
Estimated fair value of plan assets per 31.12	10 961	4 320
Net pension liability	2 738	1 643

Classification of net pension liability in the balance sheet:

Amounts in NOK 1 000	2009	2008
Other non-current receivables (note 7)	3 372	175
Pension liabilities	6 110	1 818
Net pension liability	2 738	1 643

One individual pension plan is over funded with 3 372 at the end of 2009 (175 at the end of 2008). The over funding will be used to cover future liabilities, but not liabilities concerning other pension plans that the company has. The amount is therefore classified as other non-current receivable.

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

Amounts in NOK 1 000	2009	2008
Defined benefit obligations at 1 January	5 963	128
Current service cost	8 813	3 335
Interest cost	177	5
Actuarial losses / gains (-)	-1 254	2 495
Liability for defined benefit obligations at 31 December	13 699	5 963

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

Amounts in NOK 1 000	2009	2008
Fair value of plan assets at 1 January	4 320	0
Expected return on plan assets	56	77
Actuarial losses(-) / gains	-1 088	-206
Employer contributions	7 673	4 449
Fair value of plan assets at 31 December	10 961	4 320

Plan assets are comprised as follows	2009	2008
Shares	3,8 %	4,5 %
Short-term bonds	29,9 %	30,7 %
Money market	14,0 %	13,2 %
Long-term bonds	28,8 %	28,8 %
Property	16,8 %	16,8 %
Other	6,7 %	6,0 %
Total	100,0 %	100,0 %

	2009	**2008**
Actual return on plan assets	4,7 %	1,5 %

	2010	**2009**
Expected contributions to funded plans next year	6 773	6 630

The pension arrangements fulfils the requirements in the Norwegian law of mandatory occupational pension (lov om obligatorisk tjenestepensjon).

Historic information:

Amounts in NOK 1 000	2009	2008	2007
Present value of funded obligations per 31.12	13 699	5 963	128
Estimated fair value of plan assets per 31.12	10 961	4 320	0
Net pension liability	2 738	1 643	128
Experienced adjustments to the pension obligation	-1 254	2 495	0
Experienced adjustments to the plan assets	-1 272	-206	0

Note 23 Contingent liabilities

The company has not been involved in any legal or financial disputes in 2009 or 2008, where adversely outcome is considered more likely than remote.

Note 24 Shares in licenses and obligations

Shares in licenses at 31 December 2009:

License	Share
PL 385 (*)	15%
PL 433	12%
PL 510	20%
PL 526	40%
PL 518	30%
PL 530	20%
PL 535	20%
PL 536	20%

(*) The farm-in of a 15% interest in license PL385 from Statoil has been approved by Norwegian authorities in January 2010.

Obligations at 31 December 2009:

License	Share	Obligation	Expected time
PL 385	15%	One firm well. Carry 7,5% of the total license cost until completion of the first well.	4Q-2010
PL 433	12%	One firm well. Carry 8% of the total license cost until completion of the first well.	1Q-2010
PL 518	30%	One firm well and one contingent well (2-1). Well 2 contingent of positive results in well 1.	First well 4Q-2011
PL 530	20%	One firm well and one contingent well (2-1). Well 2 contingent of positive results in well 1.	First well 2011
PL 535	20%	Acquire a minimum of 500 km2 3D seismic and one firm well.	Seismikk 2010 drilling 2011
PL 536	20%	Acquire a minimum of 600 km2 3D seismic.	2010

Note 25 Events after the balance sheet date

In February 2010 North Energy completed the acquisition of 100% of the outstanding shares in 4sea energy AS. The consideration for the aquisition comprise 1.886.792 new issued shares in North Energy, each with par value of NOK 1 and at a price of NOK 26,5, i.e. total consideration of NOK 50 million. 4sea energy AS is a company in the exploration phase with 25% share in license PL 498 and 25% share in license PL 503. The acquisition is deemed as asset acquisition and not as a business combination, i.e. no deferred tax on initial differences between carrying values and tax bases will be recorded, nor any goodwill will be recorded at the date of acquisition.

In February 2010 additional 1.400.520 new shares has been issued in connection with exercise of previous issued warrants. The subscription price was NOK 21,20 per share.

In February 2010 additional 516.735 new shares has been issued in connection with exercise of warrants. The shares were issued to Ninerik AS, a company controlled by CEO Erik Karlstrøm. Average subscription price was approx. NOK 12,70 per share.

As part of the Company's bonus scheme for employees, the Company issued in February 2010 a total of 57.820 shares to its employees at a subscription price of NOK 1 per share.

After the issue of shares in the public share issue in connection with the listing on Oslo Axess, the issue shares in connection with the acquisition of 4sea energy AS, the issue of shares in connection with exercise of warrants and the issue of bonus shares to employees, total outstanding shares in North Energy are 25.149.736 shares. The company's share capital is NOK 25.149.736, consisting of 25.149.736 shares at par value NOK 1 per share.

The farm-in of a 15% interest in license PL385 from Statoil has been approved by Norwegian authorities in January 2010.

In February 2010 drilling commenced on the Fogelberg prospect in PL433 in the Norwegian Sea (North Energy share is 12%). Possible hydrocarbons has been discovered in the well.

Note 26 Oil and gas reserves, contingent resources and exploration drilling results (unaudited)

In 2007 the Oslo Stock Exchange issued guidelines with respect to the reporting of hydrocarbon reserves, contingent resources and results from exploration drilling.

North Energy has shares in licenses which all are in an early exploration phase where it is not possible to prove any reserves. Drilling of North Energy's first exploration well started in February 2010 (the Fogelberg prospect in PL433 in the Norwegian Sea, 12% share). Possible hydrocarbons has been discovered in the well.

Responsibility Statement

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2009 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit and loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Alta, 8 April 2010

Johan Petter Barlindhaug
Chairman

Harriet Hagan
Board member

Leif W. Finsveen
Board member

Eirik F. Hansen
Board member

Guri H. Ingebrigtsen
Board member

Arnulf Østensen
Board member

Kristin Ingebrigtsen
Board member

Hans Kristian Rød
Board member

Erik Karlstrøm
CEO

PRICEWATERHOUSECOOPERS

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To the Annual Shareholders' Meeting of North Energy ASA

Auditor's report for 2009

We have audited the annual financial statements of North Energy ASA as of 31 December 2009, showing a loss of NOK 64 417 thousand. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss. The financial statements comprise the balance sheet, the statements of income, comprehensive income, cash flows, changes in equity and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements. The financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on the financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2009 and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss are consistent with the financial statements and comply with the law and regulations

Tromsø, 8 April 2010
PricewaterhouseCoopers AS

Kent-Helge Holst
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

Alta Arendal Bergen Bodø Drammen Egersund Florø Fredrikstad Førde Gardermoen Gol Hamar Hardanger Harstad Haugesund Kongsberg Kongsvinger Kristiansand Kristiansund Lyngseidet Mandal Mo i Rana Molde Mosjøen Måløy Namsos Oslo Sandefjord Sogndal Stavanger Stryn Tromsø Trondheim Tønsberg Ulsteinvik Ålesund
PricewaterhouseCoopers navnet refererer til individuelle medlemsfirmaer tilknyttet den verdensomspennende PricewaterhouseCoopers organisasjonen
Medlemmer av Den norske Revisorforening • Foretaksregisteret: NO 987 009 713 • www.pwc.no

North Energy ASA
PO Box 1243
N-9504 Alta, Norway

www.northenergy.no

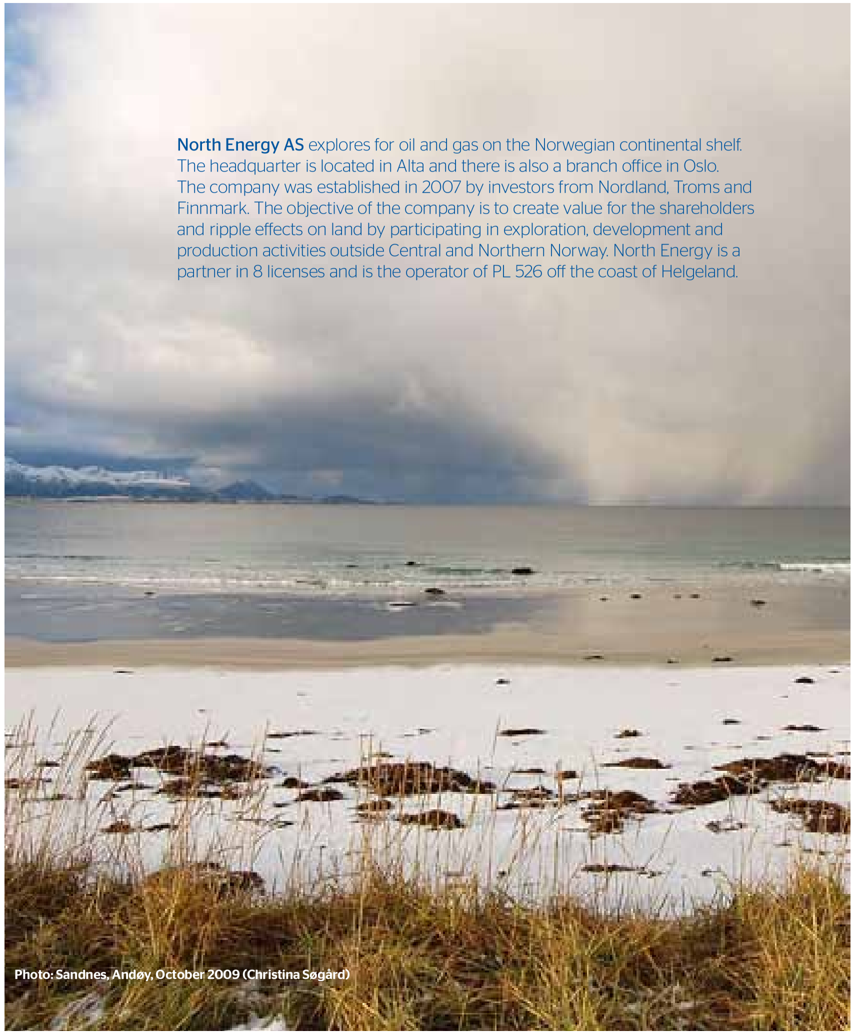
Appendix 5: Annual report 2008 North Energy ASA

north energy

Report Financial statement IFRS

annual report 2008

Photo: Vesterålen, October 2009 (Christina Søgård)



North Energy AS explores for oil and gas on the Norwegian continental shelf. The headquarter is located in Alta and there is also a branch office in Oslo. The company was established in 2007 by investors from Nordland, Troms and Finnmark. The objective of the company is to create value for the shareholders and ripple effects on land by participating in exploration, development and production activities outside Central and Northern Norway. North Energy is a partner in 8 licenses and is the operator of PL 526 off the coast of Helgeland.

Photo: Sandnes, Andøy, October 2009 (Christina Søgård)

Income statement

Amounts in NOK '000	Note	2008	2007
Payroll and related cost	4.2	**-41,969**	-3,309
Depreciation and amortisation	16	**-2,013**	-63
Exploration expenses		**-62,789**	-17,565
Other operating expenses	5.18	**-34,031**	-3,621
Operating profit (loss)		**-140,802**	-24,558
Finance income	17	**1,925**	296
Finance costs	17	**-1,405**	-48
Net financial items		**520**	248
Profit (loss) before tax		-140,282	-24,310
Income tax credit	15	**101,005**	13,701
Profit (loss) for the year		**-39,277**	**-10,609**
Profit per share for the part of the profit (loss) for the year that is allocated to the companies shareholders (NOK per share)			
Earnings per share	12	-119.06	-707.27
Diluted earnings per share	12	-119.06	-707.27

Note 1 to 24 are integrated parts of the financial statement.

Balance sheet at 31 December

Amounts in NOK '000	Note	31/12/2008	31/12/2007
ASSETS			
Deferred tax asset	15	**0**	0
Equipment	16	**15,597**	3,899
Long-term receivables	6.14	**4,507**	1,500
Total non-current assets		**20,104**	5,399
Tax receivable from refund	15	**101,005**	13,701
Other receivables	6	**7,717**	2,506
Cash and cash equivalents	7.19	**13,331**	18,692
Total current assets		**122,053**	34,899
Total assets		**142,157**	40,298
EQUITY			
Paid-in capital	8	**161,531**	46,619
Retained earnings	10	**-52,588**	-10,609
Total equity		**108,943**	36,010
LIABILITIES			
Pension liabilities	20	**1,818**	128
Total non-current liabilities		**1,818**	128
Trade and other payables	11	**31,396**	4,160
Total current liabilities		**31,396**	4,160
Total liabilities		**33,214**	4,288
Total equity and liabilities		**142,157**	40,298

Note 1 to 24 are integrated parts of the financial statement.

Alta, 23. of November 2009

Johan Petter Barlindhaug Chairman of the Board	Kristin Ingebrigtsen Member of the Board	Harriet Hagan Member of the Board
Eirik F. Hansen Member of the Board	Leif Finsveen Member of the Board	Arnulf Østensen Member of the Board
Hans Kristian Rød Member of the Board	Erik Karlstrøm CEO	

STATEMENT OF RECOGNISED INCOME AND EXPENSE

		1. January to 31. December	
Amounts in NOK '000	Note	**2008**	2007
Actuarial gain/loss pensions (after tax)	20	**-2,701**	0
Net income recognised directly in the equity		**-2,701**	0
Profit (loss) for the year		**-39,277**	-10,609
Total recognised income, expense and adjustments		**-41,978**	-10,609

Note 1 to 24 are integrated parts of the financial statement.

Statement of changes in equity
Amounts in NOK '000

	Note	Number of shares	Share capital	Share premium account	Other paid-in capital	Retained earnings	Total equity
Paid in capital registered 2007		15,000	1,500	119	0	0	1,619
Paid in capital, not registered in 2007		0	0	0	45,000	0	45,000
Total result for 2007		0	0	0	0	-10,609	-10,609
Equity at 31 December 2007		15,000	**1,500**	**119**	**45,000**	**-10,609**	**36,010**
Reduction of capital (reduction of face value)		0	-1,350	0	1,350	0	0
Paid in capital in 2007, registered in 2008		180,000	1,800	43,200	-45,000	0	0
Increase of capital		386,122	3,861	104,320	0	0	108,181
Employees warrant share issue	4	0	0	0	6,730	0	6,730
Actuarial gain/loss pension 2008	20	0	0	0	0	-2,701	-2,701
Total result for 2008		0	0	0	0	-39,277	-39,277
Equity at 31 December 2008		581,122	**5,811**	**147,639**	**8,080**	**-52,587**	**108,943**

Note 1 to 24 are integrated parts of the financial statement.

CASH FLOW STATEMENT

Amounts in NOK '000	*Note*	**2008**	2007
Cash flow from operating activities			
Profit (loss) before tax		**(140,282)**	(24,310)
Adjustment:			
Tax refunded	*15*	**13,701**	-
Depreciation and amortisation	*16*	**2,013**	63
Warrant share issue	*4,8,9*	**10,887**	2,429
Changes in trade and other payables		**4,241**	1,471
Difference between pension cost and payments		**(1,029)**	(84)
Changes in other accrual accounting items		**4,182**	(2,035)
Net cash flow from operating activities		**(106,287)**	**(22,466)**
Cash flow from investing activities			
Purchases of tangible fixed assets	*16*	**(13,712)**	(3,961)
Payments of long-term receivables		**(2,832)**	(1,500)
Net cash flow from investing activities		**(16,544)**	**(5,461)**
Cash flow from financing activities			
Net cash flow from share issue		**108,181**	46,619
Net change in overdraft facilities	*11*	**9,289**	**-**
Net cash flow from financing activities		**117,470**	**46,619**
Changes in cash and cash equivalents		**(5,361)**	18,692
Cash and cash equivalents at 1 January	*7*	**18,692**	-
Cash and cash equivalents at 31 December	*7*	**13,331**	18,692

Note 1 to 24 are integrated parts of the financial statement.

Note 1 Accounting Policies

Statement of compliance
North Energy AS is a Norwegian Company with head office in Alta. The Company's only business segment is exploration of oil and gas on the Norwegian continental shelf. On the 2nd of November 2009, the Board of Directors proposed to change the type of company from AS to ASA.

The financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. This is the first year with presentation in accordance with IFRS, and financial statements are in compliance with IFRS 1. The figures for 2007 and 2008 are converted to IFRS. The required information according to IFRS 1 and recommended by Oslo Stock Exchange, is shown in a separate note (note 24).

The financial statements are approved by the board of directors and CEO for publication on 23 November 2009.

Basis for preparation
These consolidated financial statements have been prepared on a historical cost basis.

Functional currency and foreign currency transactions

Functional currency
The financial statements are presented in NOK, which is the functional currency of the company.

Foreign currency transactions
Foreign currency transactions are translated into functional currency using the exchange rates at the transaction date. Monetary balances in foreign currencies are translated into NOK at the exchange rates on the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Foreign exchange differences arising in respect of operating business items are included in operating profit in the income statement. Exchange differences arising in respect of financial assets and liabilities are recorded as financial items in the income statement.

Equipment
Equipments are stated at historical cost less accumulated depreciation and any impairment charges. Linear depreciations over the period of use are calculated, regulated for potential impairments. Expected period of use for non-current assets are reviewed annually. Where the period differ significantly from previous estimates, depreciation periods are changed accordingly. Ordinary repair and maintenance costs are recognised in the income statement during the financial period in which they incur. The cost of major renovations is included in the asset's carrying amount when it is probable that the Company will derive future economic benefits in excess of the originally assessed standard of performance of the existing asset. Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in operating profit. Major assets with different expected useful lives are reported as separate components. Each component is depreciated on a straight line basis over its expected useful life and adjusted for any impairment charges.

Intangible assets
Exploration costs for oil and gas properties
The Company uses the successful efforts method to account for exploration costs. All exploration costs, with the exception of acquisition costs of licenses and drilling costs of exploration wells, are expensed as incurred. Drilling costs of exploration wells are temporarily capitalised pending the evaluation of the potential existence of oil and gas reserves. If reserves are not found, or if discoveries are assessed not to be commercially recoverable, the drilling costs of exploration wells are expensed. Costs of acquiring licenses are capitalised and assessed for impairment at each reporting date. All investments regarding development of commercial oil or gas fields are capitalised.

Farm-in/Farm-out
A farm-in/farm-out implies that an owner of a share of a license ("the farminor") transfers the whole share or a part of the share to another participant ("the farminee"), and "the farminee" commits to perform a duty in return. "The farminee" may for instance commit to start exploration, to drill a well or to develop an oil or gas field. The "farminor" will have to undertake to transfer the whole or a part of a share to "the farmenee".

"The farminee" shall consecutively recognise in the balance sheet or post as outgoings, exploration and developing costs in accordance with the used accounting principles, for instance the "Successful Effort" method. "The farminee" do not book receivables or costs in connection with the company's access to oil and gas shares. "The farminee" may therefore recognise costs concerning wells and equipment in the balance sheet, but not costs related to transfer of property. "The farminor" recognises neither drilling cost nor cost related to equipment. In an farm-in/farm-out agreement there are not made allocations concerning future liabilities in the period of exploration and evaluation. "The farminor" do not recognise gains or losses in the accounts. In the period of development, a farm-in/farm-out agreement will be considered as a fair value transaction, based on costs incurred by "the farminee".
party. If a loss related to transactions gives evidence of reduction in net recoverable value of current assets or impairment of non-current assets, the loss will be recognised immediately.

The accounting of a farm-in/farm-out agreement is performed when the benefits are transferred from "the farminor", which normally will happen when necessary public approvals are given.

Ownership in Joint Ventures
The accounting of the company's investments in joint ventures, including joint operations (oil and gas licenses), is performed by entering the company's parts of assets, liabilities and cash flow of the business. The company is recognising its part of the joint ventures individual income and expenses, assets and liabilities, and cash flow, under the actual items in the financial statements. At the end of 2008, the company had not capitalized any costs related to exploration. There are thus no assets related to the licences in the balance sheet.

The company do not recognise parts of gains and losses from the joint venture coming from the company's acquisition assets from the joint venture, before it sells the asset to a third party. If a loss related to transactions gives evidence of reduction in net recoverable value of current assets or impairment of non-current assets, the loss will be recognised immediately.

Impairment of non-current assets
Equipment and other non-current assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For the purposes of assessing impairment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. The value in use is determined by reference to discounted future net cash flows expected to be generated by the asset. A previously reported impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however, not to an extent higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Leases (as lessee)
Leases where the Company assumes substantially all the risk and rewards ownership of the asset, are classified as finance leases. The Company do not have any such leases.

Leases where the lessor still has substantial part of risk and dividends related to ownership, are classified as operating leasing. Payments of operating leasing are linearly charged as expense over the leasing period.

Receivables (non-current)
Non-current receivables are recognised by using amortised cost, using a method of effective interest. The difference between nominal value and recognised value is amortized over the term of the receivables.

Receivables (current)
At the first time recognition in the balance sheet, current receivables are valued at their anticipated realisable value. At subsequent recognition the receivables are valued to anticipated recoverable value. A valuation allowance for impairment of receivables is made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents
Cash and the equivalents comprise cash at hand, deposits with banks and other short-term highly liquid investments with original maturities if three months or less.

Interest-bearing loans and borrowings
All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interests-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the interest bearing liabilities. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Income taxes
Income taxes on the profit and loss for the year comprises tax payable, tax receivable from the refundable tax value of exploration expenses, and changes in deferred tax. Tax related to equity transactions has been recorded directly to equity and not in the income statement.
Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the book value and tax value of assets and liabilities, together with any tax losses carried forward at the year end. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are adopted or substantially adopted on the day of the balance sheet.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.
Deferred tax assets and liabilities are not discounted.
Deferred tax assets and liabilities are netted if it is legally accepted to net the periodical assets and liabilities for tax, and if assets and liabilities for deferred tax are levied by the same tax authority in the same taxable unit.

Pension plans
Pension plans are financed through payments to insurance companies, and are determined based on periodic actuary estimates. The Company has a defined benefit plan.
This is a pension plan which defines the pension payment that the employee will receive when retiring. The pension payment is generally influenced by one or several factors, such as age, years of service and salary.
The recognised liability is the present value of the defined benefits on the balance-sheet day subtracted by the fair value of the pension funds, adjusted for non-allocated variances in estimates and possible non-allocated costs linked to previous periods' pensions-earnings. The pension liability is estimated yearly by an independent actuary, based on a linear method. The present value of the defined benefits are determined by discounting the estimated future payments by the interest of an obligation issued by a company with high credit-rating in the same currency as in the benefit will be paid, and within the terms approximately equal to the terms of the related pension liability.
Variances in estimates due to new information or changes in actuary assumptions are recognised directly in the equity through the statement of recognised income and expense in value within the period in which they arise. Changes in the benefits of the pension plan are consecutively charged as costs or revenues in the income statement, if not the rights of the new pension plan are determined by that the employee remain in service over a specific period of time. If so, costs of changed benefits are amortized linearly through the period of earning.

Severance benefit
Severance benefit will be paid when conditions of employment is terminated by the company before time of retirement, or when an employee voluntarily accepts end the conditions of employment by receiving such benefit. The company recognises the severance benefit when it evidently is committed to end the existing conditions of employment according to a formal, detailed plan, which the company cannot withdraw, or to give severance benefit as a result of an offer given to initiate voluntary resignation. Severance benefits are with due date later than 12 months after the day of the balance sheet are discounted to present value.

Profit sharing and bonus plans
The company recognises a liabilities and a cost related to bonus and profit sharing based on a calculation which allows for the profit that is allocated to the share holders after certain adjustments. The company recognises an allowance when there is a liability in accordance with a contract or former practice that creates a self-imposed liability.

Shares-based salary
The company has share-based salary plans where the company receives service from the employees as a return for cash or equity instruments (share options) in the company. Fair value of the services received from the employees in return for assigned share options, are recognised as cost. The total amount which is being recognised over the contribution time is based on fair value of the assigned share options:

- included every condition related to the market trend
- reduced for the effect of potential conditions of recovery which is not related to the market trend (e.g. objective of profitability, increase in sales or being employd over a certain period of time)
- reduced for the influence of potential conditions which is not conditions of recovery (e.g. demands of employee savings).

Conditions of recovery which is not related to the market trend effects the number of share options which is expected to be assigned. The total amount is recognised as expense over the earning period (which is the period when all specific condition of recovery has to be fulfilled). On each date of the balance sheet the company revaluates the estimates of number of share options which is expected to be earned. The potential effect of of the changes in the original estimates is recognised in the statement of profit and loss, and with corresponding adjustment in the equity.

When the share options are exercised, the company issues new shares. The compensation received by exercising the share options reduced for direct cost related to the transactions, is recognised to credit on the account of share capital (nominal value) and premium on shares, when the share options are exercised.

Provisions
A provision is recognised when the company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of recourses embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Related-party transactions
All transactions, contracts and business relations with related parties are carried out on normal market based conditions. Loan to employees is given on favourable interest level, se note 14.

Earnings per share
Calculation of earnings per share is based on result related to ordinary shares by using weighted average of number of shares in the period, reduced of weighted average og treasury shares in the period. The calculation of diluted result per share is corresponding with ordinary result per share, but gives simultaneously effect on all diluted shares in the period, i.e.:
- Result related to ordinary shares is adjusted for changes in result which would be a consequence of the conversion of the diluted potentially ordinary shares.
- Weighted average of number of extraordinary shares which would have been outstanding, provided converting of all potential diluted shares, increases the average number of ordinary shares.

Segment information
The Company's only business segment is exploration of oil and gas on the Norwegian continental shelf.

Equity
Transaction costs (after tax) related to equity transactions are recognised directly in the equity.

Cash flow statement
Cash flow statement is made up after the indirect method.

Events after the reporting period
Events that are both positive and negative and that prove that the situation was existing on the date of the balance sheet (events which result in adjustments) are separated from events that indicate that the situation occurred after the date of the balance sheet (events which do not result in adjustments). The financial statements is only adjusted to reflect the first mentioned situation, though it anyway may occur needs for information about situations which is not adjusted.

IFRA and IFRIC endorsed by EU/EØS but still not implemented
IFRS' and IFRIC's endorsed by EU/EØS up to date and which are not mandatory per 31. December 2008 is not implemented by the company. That relates to IFRS 8, revised IAS 23, revised IAS 27, revised IFRS 3, amendments to IFRS 2 an IFRIC 12, 15 and 16. Based on assessment so far, these standards and interpretations are not supposed to have substantial effect on the reported figures.

Note 2 Financial risk management

Financial risk factors

Market risk

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

Furthermore, the company is exposed to certain types of financial risks. Management involves accounts receivable, loans, accounts payable and drawing rights to financial institutions. The company does not undertake any placings beyond employee loans and bank deposits. The business activities of the company involve exposure to credit risk, interest rate risk, liquidity risk and currency risk.

Credit risk

The company is mainly exposed to credit risk pertaining to tax refunds according to Petroleumsskatteloven together with employee loans. The exposure to credit risk is monitored on an ongoing basis. Investments are only allowed in bank deposits. As all parties have high credit rating, there are no expectations of either party not being able to fulfil their liabilities. There were no material concentration of credit risk on the day of the balance sheet. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The company holds no accounts receivable or loans in foreign currency.

Interest rate risk

The company's exposure to interest risk is related to bank deposits and usage of credit facilities in the future. The company is exposed to interest rate risk as part of its normal business activities and the aim is to keep this risk at an acceptable level.

By the turn of the year 08/09 the company had a cash credit right of MNOK 10 (0 by the turn of the year 07/08). This has been settled during Q1 of 2009 and has been replaced by a revolving drawing right with a limit of MNOK 300.

The interest rate of the drawing right was equal to NIBOR + 0,55 % by the turn of the year 08/09. There are no deposited securities for this drawing right. The company holds no other interest-bearing debt.

Liquidity risk

Liquidity risk is the risk of being uncapable to service one's financial liabilities as they fall due. The company's financial liabilities are short term and fall due within 0 - 6 months. The company has no placing of its liquidity beyond bank deposits i Norwegian banks.

Currency risk

The company has defined NOK as its functional currency. The company has currency exposure in its business activities because parts of the company's costs are USD based. The company has not entered into any agreements to reduce its exposure to foreign currencies. A weak Norwegian krone will influence the revenues negatively, as to the contrary with a strong Norwegian krone.

Risk pertaining to capital management

The company's aim for management of capital structure is to secure the business in order to yield profit to shareholders and contributions to other interest groups. In addition, a capital structure at its optimum will reduce the costs of capital.

To maintain or change the capital structure in the future, the company can pay dividends to its shareholders, repay share capital to shareholders or issue new shares or sell assets/licences to reduce debt. The company may buy its own shares. The point of time for this is dependent of changes in market prices.

Note 3 Use of estimates

The preparation of the financial statements in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based in historical experience and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects that period, or in the period of revision and future periods if the revision affects both current and future periods.

Estimates and assumptions which represent a considerable risk for substantial changes in recognised value on assets and liabilities during the next fiscal year, are presented below.

a) Tax refund (Petroleumsskatteloven)

The company is subject to the additional tax rules of Petroleumsskatteloven where, among other factors, the company is reimbursed for 78 % of its costs pertaining to exploration costs. This includes both direct and indirect costs. The company uses a distribution formula for indirect exploration costs based on the company's assumed consumption of resources pertaining to exploration and non-exploration. The distribution formula is based on estimates from the company, and the Norwegian taxation authorities may have a different understanding.

b) Pensions

The present value of pension liabilities depends on several different factors determined by different actuary assumptions. The assumptions used to estimate net pension costs (revenue) include discount rate. Changes in these assumptions will influence the recognised value of the pension liabilities.

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

Other pension assumptions are partly based on market terms. Additional information is given in note 20.

Note 4 Payroll and related cost

Amounts in NOK '000	2008	2007
Salaries	**23 375**	296
Warrant share issue	**10 887**	2 429
Payroll tax	**1 360**	0
Pension costs (Note 17)	**3 533**	128
Other personnel expenses	**2 814**	456
Total	**41 969**	3 309
Average number of employees	**31**	1

Salaries and other benefits to the Board of Directors and management 2008:

	Directors' fees	Salaries	Bonus	Pension	Other	Total
Management:						
Erik Karlstrøm (CEO)		1 965	267	106	123	2 461
Astrid Tugwell		1 090	183	58	103	1 433
Svein Johansen		1 540	250	104	16	1 910
Lars Tveter		902	163	35	50	1 151
Torleiv Agdestein		600	92	45	105	842
Knut Aaaneland		808	133	60	4	1 006
Vigdis Wiik Jacobsen		563	131	94	22	810
The board of Directors:						
Johan P. Barlindhaug (chairman of the board)	213					
Leif W. Finsveen (board member)	74					
Harriet Hagan (board member)	26					
Eirik F. Hansen (board member)	100					
Kristin Ingebrigtsen (board member)	26					
Hans K. Rød (board member)	26					
Tore Andreassen (board member)	84					
Harald Karlstrøm (board member)	84					
Anna M. Aursund	21					
Eirik Sørgård	5					
Torgrim Rørtveit (board member)	5					
Total	**663**					

Information of loans to employees, incl. interest advantage	loan per 31.des	Interest advantage	Rate of interest
Erik Karlstrøm	1 920	57	2 %
Torleiv Agdestein	1 992	7	2 %

The company's CEO has an agreement to an annual salary of 1.6 million. Other benefits include free car, loan interest rate advantage, as well as regular allowances to cover telephone and internet. In addition, he is included in the company's general bonus agreement as determined by the directors. The bonus is limited to 1/3 of fixed salary. If CEO has to resignate at the request of the board of directors, North Energy shall provide salary equivalent to two years' gross fixed salary. If CEO resigns, there is no salary agreement on behalf of the company. CEO also has an early retirement scheme from the earliest age of 62 until the ordinary retirement age (67 years), where the pension is 67% of final salary paid. When it comes to CEO's subscription rights it is referred to note 9 for further information.

The Company has entered into a performance related bonus. The bonus is linked to the achievement of specified parameters for each of the executive management's responsibility. Both financial and non-financial parameters are used. Bonuses are limited to 1/3 of fixed salary, distributed 50/50 in salary and Warrant share issue and are paid once a year.
The earning of the salary bonus will take place prior to the earning of the subscription rights.

Salaries and other benefits to the Board of Directors and management 2007:

Amounts in NOK '000	Directors' fees	Salaries	Bonus	Pension	Other	Total
Management:						
Erik Karlstrøm (CEO)		267		128	346	741

It was not allocated any costs relating to directors' fees for 2007.

Note 5 Other operating expenses

Other operating expenses include:

Amounts in NOK '000	**2008**	2007
Travelling expenses	**4,862**	284
Lease expenses	**4,122**	49
Consultant's - and other fees	**14,012**	496
Advertising costs	**2,670**	91
Other administrative expenses	**8,365**	2,700
Total	**34,031**	3,620

Remuneration to the auditor is included in other operating expenses and allocated as specified below:

Amounts in Nok '000	**2008**	2007
Audit	**95**	
Fee fiscal assistance	**22**	
Fee attestation	**4**	
Fee assistance share issue		67
Total	**121**	**67**

Note 6 Receivables

Long-term receivables include:

Amounts in NOK '000	**2008**	2007
Loan to employees (note 4 and 14)	**3,912**	1,500
Deposit	**420**	0
Pension funds (note 20)	**175**	0
Total	**4,507**	**1,500**

Short-term receivables include:

Amounts in NOK '000	**2008**	2007
Outstanding value added tax	**4,664**	1,999
Prepaid expenses	**3,053**	507
Total	**7,717**	**2,506**

Note 7 Cash and cash equivalents

Amounts in NOK '000	**2008**	2007
Bank deposits	**13,331**	18,692
Cash and cash equivalents included in the balance sheet	**13,331**	**18,692**
Restricted cash for withheld taxes from employees salaries include above	**1,817**	133

Note 8 Paid-in capital

The share capital is NOK 5 811 220 divided into 581 122 shares, each with a par value of NOK 10.

Amounts in NOK '000	**2008**	2007
Share capital	**5,811**	1,500
Share premium	**147,639**	119
Share capital transferred to other paid-in capital	**1,350**	0
Paid-in capital registered in 2008	**0**	45,000
Warrant share issue	**6,730**	0
Total paid-in capital	**161,531**	**46,619**

North Energy has one class of shares with equal rights for all shares.
The Board of Directors are authorized to issue shares to key employees within a limit of 6 % of number of shares.
There are 140 052 free-standing warrant share issues after the general meeting in January 2009 and share issue in the first half-year of 2009. The warrant share issues entitle to subscribe for shares to 80 % of the issue price.

Shareholders that own more than 1 %	**Number of shares**	**Owner's share (%)**
Origo Kapital AS	75,066	12.92
SKS Eiendom AS	60,231	10.36
JPB AS	60,108	10.34
Onshore Group Nordland AS	48,369	8.32
KapNord Fond AS	43,000	7.40
Pitch Oil AS	42,415	7.30
Alta Kraftlag AL	35,469	6.10
Petroinvest Nord AS	28,000	4.82
Perpetuum Invest AS	26,748	4.60
Helgeland Vekst AS	22,423	3.86
Sør Varanger Invest AS	14,697	2.53
Oljeinvest Alta AS	13,385	2.30
Helgelandbase AS	13,334	2.29
Nord-Troms Kraftlag AS	13,333	2.29
Per Strand Eiendom AS	7,999	1.38
Erik Karlstrøm	6,797	1.17
Harald Nilsen AS Entreprenørforretning	6,690	1.15
Luostejok Kraftlag AL	6,667	1.15
Nordkyn Kraftlag AL	6,667	1.15
Repvåg Kraftlag AL	6,667	1.15
Total	538,065	92.59
Other (less than 1% ownership)	43,057	7.41
Total number of shares	581,122	100.00

Shares owned by the Board of Directors, CEO and Management (both directly and indirectly)

CEO, Erik Karlstrøm	6,797	1.17
Chairman of the board Johan P. Barlindhaug through JPB AS	60,108	10.34
Torleiv Agdestein	2,265	0.39
Svein Johansen	2,265	0.39
Astrid Tugwall	2,265	0.39
Lars Tveter	2,265	0.39
Knut Aaneland	2,265	0.39

Note 9 Warrant share issue

The company has entered into a contract with the CEO and six of the company's leading employees which gives them the right to subscribe for shares in the company. The contract gives the CEO, according to further terms pertaining to future share issue in 2009, the right to subscribe for a share in the company equal to 2,5 %. The remaining six have the right to subscribe for a share up to 0,5 % of the company until the coming share issue in 2009 at a rate at NOK 250 per share.
The company has no legal or implicit liabilities to buy back or settle the warrant share issues in cash with the exception of the warrant share issues pertaining to the company's CEO. The CEO may chose between a settlement in cash or the right to subscribe to shares in accordance with the warrant share issues entered into.
The discharge rate of the warrant share issues appear in the table below. The earning of the warrant share issues is subject to the employees remaining in service of the company 1 - 1,5 years after the contribution. The term of the share options is equal to the maturity period which is three years from the date of the subscription.
Movement in estimated number of outstanding subscription rights pertaining to employees, and discharge rate:

	2008		2007	
	Share options	Average discharge rate in NOK pr. share	Share options	Average discharge rate in NOK pr. share
Per 1. January	62,119	154.77	0	0
Assigned	37,272	151.83	62,119	154.77
Exercised	-18,122	10.00	0	0
Expired	0	0	0	0
Per 31. December	**81,269**	**173.67**	62,119	154.77
based on cash	55,322		62,119	

None of the 81,269 share options (2007: 62,119 share options) were exercisable in the year of allocation. Exercised options in 2008 resulted in 18,122 shares issued at NOK 10 per share. The market terms at the time of discharge were NOK 250 pr. share.

Date of discharge and discharge rate for outstanding warrant share issues by year end:

Expiry date	Discharge rate in NOK pr. share	Share options 2008	Share options 2007
25-Feb-11	10	0	6,797
08-Jan-12	10	10,858	2,863
30-Jun-12	10	14,988	14,988
30-Jun-12	250	55,423	37,471
		81,269	62,119

The fair value of the allocated warrant share issues of the period is estimated with Black-Scholes option pricing-model. For the warrant share issues with a discharge rate of NOK 10 fair value is estimated at NOK 240 pr. share while the warrant share issues with a discharge rate of NOK 250 have an estimated fair value within the range of NOK 61 - 85 pr. share.
The most important input data is the listed price on the date of discharge which is estimated at NOK 250 for the shares that are exercisable at NOK 10 pr. share, and NOK 375 for the shares that are exercisable at NOK 250 pr. share. The discharge rates shown above, standard deviation of expected share profit of 60 %, expected dividends of 0 %, expected term of three years and a yearly risk free rate of 2,6 % (2007: 4,6 %). Volatility is measured by comparing companies on the OSE as the company is not listed.
Note 4 shows the total costs in the income statement of warrant share issues to employees.

Note 10 Retained earnings

Balance at 1 January 2007	0
Profit (loss) for the year	-10,609
Balance at 1 January 2008	**-10,609**
Profit (loss) for the year 2008	-39,277
Estimate variance pension	-2,701
Balance at 31 December 2008	**-52,588**

Note 11 Trade and other payables

Amounts in NOK '000	**2008**	2007
Trade payables	**5,712**	1,471
Public duties payable	**2,104**	135
Allocation warrant share issue CEO	**8,374**	2,429
Other payables	**5,917**	125
Liabilities to financial institutions	**9,289**	0
Total	**31,396**	4,160

Liabilities to financial institutions relates to a drawing right with the limit of MNOK 10. There is not deposited securities for this drawing right. The drawing right is in the first quarter of 2009 settled and replaced with a revolving drawing right ("Exploration loan") with a limit up to NOK 300 million.

Note 12 Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by weighting average number of ordinary shares in issue during the year.

Amount in NOK '000	**2008**	2007
Profit attributed to equity holders of the company	**(39,277)**	(10,609)
Weighted average number of ordinary shares in issue	**329,898**	15,000
Earnings per share (NOK per share)	**(119.06)**	(707.27)
Diluted earnings per share	**(119.06)**	(707.27)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding for the effect of converting all potential shares that could lead to dilution.

The dilution effect is in accordance with IAS 33 paragraph 41 not presented in the income statement, as the conversion to ordinary shares would have reduced the loss per share.

Note 13 Dividend per share

There have not been disbursed dividends for 2007 or 2008

Note 14 Related parties

The company has through the 2007 and 2008 had a limited management contract with Origo Nord AS, which is a related party to the company's largest shareholder, Origo Kapital AS. The agreement is based on market terms.

The company's third largest shareholder, JPB AS, is controlled by the chairman of the board, Johan P. Barlindhaug.

The company has provided loans to management members	**2008**	2,007
Erik Karlstrøm	1,920	1500
Torleiv Agdestein	1,992	0
	3,912	1,500

The loans are provided at 2% interest rate and payback of 10 years. The loans are secured by mortgage on real property. If termination of employment, the employees have to settle the remaining outstanding loan amount.

Note 15 Tax

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

Amounts in NOK '000	**2,008**	2,007	Variance
Losses carried forward	**-758**	-758	0
Deferred tax base	**-758**	**-758**	0
Net deferred tax, 28 %	**-212**	-212	0
Valuation allowance	**212**	212	0
Total deferred tax asset/liability onshore	**0**	**0**	0

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

Amounts in NOK '000	**2,008**	2,007	Variance
Losses carried forward	**-15,200**	-5,231	-9,969
Temporary differences in exploration licenses, capitalised exploration and equipment	**3,724**	1,084	2,640
Temporary differences on pensions	**-1,643**	-128	-1,515
Other temporary differences	**-90**	-40	-50
Deferred tax base	**-13,209**	**-4,315**	-8,894
Net deferred tax liability (78%)	**-10,303**	-3,366	-6,937
Valuation allowance	**10,303**	3,366	6,937
Total deferred tax liability offshore	**0**	**0**	0
Total deferred tax	**0**	**0**	0

Accumulated exploration expenses and tax receivable from refund tax value exploration expenses, offshore:

Amounts in NOK '000	**2,008**	2,007
Accumulated exploration expenses for tax refund	**129,494**	17,565
Accumulated tax receivables/refund 78%	**101,005**	13,701
Total tax receivable from refund tax value exploration expenses	**101,005**	**13,701**

Tax receivables will be received within 12 months after the balance sheet date and are thus classified as short-term receivables.

Specification of income tax credit:

Amounts in Nok '000	**2,008**	2,007
Change in deferred tax asset onshore	**0**	0
Change in deferred tax offshore	**0**	0
Tax receivable from refund tax value exploration expenses current year	**101,005**	13,701
Adjusted tax receivable from refund tax value exploration expenses last year	**0**	0
Total income tax credit	**101,005**	13,701

Reconciliation of effective tax rate:

Amounts NOK '000	**2,008**	2,007
Profit (loss) before tax	**-140,282**	-24,310
Expected income tax 78%	**109,420**	18,962
Adjusted tax effects (28% - 78%) of the following items		
Permanent differences	**-983**	-1,304
Change in valuation allowance for deferred tax asset	**-6,937**	-3,957
Total income tax credit	**101,500**	**13,701**

Note 16 Property, plant and equipment

Amounts in NOK '000	**Equipment machinery etc.**
Acquisition cost at 1 January 2007	-
Additions	3,961
Disposals	-
Acquisition cost 31 December 2007	3,961
Depreciation	(63)
Accumulated depreciation at 31 December 2007	(63)
Net carrying value at 31 December 2007	**3,899**
Acquisition cost at 1 January 2008	3,961
Additions	13,712
Disposals	-
Acquisition cost at 31 December 2008	17,673
Accumulated depreciation at 1 January 2008	-63
Depreciation	-2,013
Accumulated depreciation at 31 December 2008	-2,075
Net carrying value at 31 December 2008	**15,597**

Property, plant and equipment are depreciated with a percentage of 10-33 percent

Note 17 Financial items

Finance income

Amounts in NOK '000	**2008**	2007
Interest income on bank deposits	**1,023**	244
Other financial income	**805**	0
Foreign currency gain	**97**	52
Total finance income	**1,925**	296

Finance costs

Amounts in NOK '000	**2008**	2007
Interest expense	**354**	0
Foreign currency losses	**1,051**	48
Total finance costs	**1,405**	48

Note 18 Other lease agreements

Annual lease expense consist of ordinary lease payments, as specified below:

Amounts in NOK '000	**2008**	2007
Office rent (including joint costs)	**3,439**	47
Lease of equipment	**33**	
Lease of transport equipment	**650**	2
Total lease expenses (note 5)	**4,122**	49

Note 19 A Financial instruments

Valuation of financial instruments in the balance sheet are as follows:

Per 31 December 2008 :

Amounts in NOK '000	Loans and other receivables
Assets:	
Long-term receivables	4,507
Tax receivable refund exploration expenses	101,005
Cash and cash equivalents	13,331
Total	**118,843**

Amounts in NOK '000	Other financial liabilities valued to amortised cost
Liabilities:	
Trade and other payables	23,022
Total	**23,022**

Per 31 December 2007 :

Amounts in NOK '000	Loans and other receivables
Assets:	
Long-term receivables	1,500
Tax receivable refund exploration expenses	13,701
Cash and cash equivalents	18,692
Total	**33,893**

Amounts in NOK '000	Other financial liabilities valued to amortised cost
Liabilities:	
Trade and other payables	1,731
Total	**1,731**

The fair value of long-term receivables are calculated by discounting cash flows with a rate equal to the alternative borrowing rate of 5.0% (2007: 5.5%). The discount rate correspond to 10-year fixed-rate loans with the addition of relevant credit rating. The fair value of the tax receivable from refund tax value exploration costs are calculated by discounting cash flows with a interest equal to an expected interest of 3.0% (2007: 3.5%).

The fair value of long-term receivables and the tax receivable from refund tax value exploration costs:

	2008	2007
Long-term receivables	**3,298**	1,254
Tax receivable from refund tax value exploration expenses	**98,063**	13,238
Total fair value	**101,361**	14,492

The fair value of accounts payable and other current liabilities are equal to the carrying values because the effect of discounting is not significant. Fair value is calculated by discounting cash flows with a discount rate of 5.0% (2007: 5.5%).

Note 19 B Creditworthiness of financial assets:

Receivables
The company does not have a system that separates receivables and loans on counterparty credit rating. They are working with a holistic solution that will provide similar information and follow-up in 2009. Long-term receivables are mainly concerning the employees, tax receivable towards the Norwegian tax authorities, while other claims essentially are prepaid expenses.

Bank deposits

Amounts in Nok '000	**2008**	2007
No external credit rating	**0**	0
A	**0**	0
AA	**13,331**	18,692
Total	**13,331**	18,692

Note 20 Retirement benefit obligations

Actuarial assumptions:

Amounts in NOK '000	2008	2007
Discount rate	**4.50%**	4.50%
Expected rate of return on plan assets	**5.50%**	5.50%
Expected annual salary increases	**4.50%**	4.50%
Expected annual adjustment of pension benefits	**4.25%**	4.50%
Expected rate of G- regulation	**4.25%**	4.25%
Table employed for calculation of liability	**K2005**	K2005
Table employed for calculation of disability	**IR02**	IR02

Average expected period of service until retirement age

Average life expectancy (the number of years) for a person retiring when he / she turns 67 years

-Female	**47**	
-Male	**44**	

Average life expectancy (the number of years) 20 years after the balance sheet date for an individual who retire when he/she turns 67 years:

-Female	**28.0**	
-Male	**24.0**	

Expense recognized in profit or loss

Amounts in NOK '000	2008	2007
Current service cost	**3,335**	128
Interest cost	**5**	0
Expected return on plan assets	**-77**	0
Social security cost	**270**	0
Total expense recognized in profit or loss	3,533	128

Specification of recognized liability:

Amounts in NOK '000	2008	2007
Present value of funded obligations per 31.12	**5,963**	128
Estimated fair value of plan assets per 31.12	**4,320**	0
Net obligations	1,643	128

An individual pension plan

Net obligations are classified in the balance sheet:

	2008	2007
Other long-term receivables	**175**	
Pension liabilities	**1,818**	128
Net pension obligation	**1,643**	**128**

One individual pension plan is over funded with 175 at the end of 2008. The over funding will be used to cover future liabilities, but not liabilities concerning other pension plans that the company has.
The amount is classified as long-term receivable.

Movement in the liability for defined benefit obligations

Amounts in NOK '000	2008	2007
Defined benefit obligations at 1 January	**128**	0
Current service cost	**3,335**	128
Interest cost	**5**	0
Actuarial gains/(losses)	**2,495**	0
Liability for defined benefit obligations at 31 December	**5,963**	128

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

Amounts in NOK '000	2008	2007
Fair value of plan assets at 1 January	**0**	0
Expected return on plan assets	**77**	0
Actuarial gains/(losses) on plan assets	**-206**	0
Employer contributions	**4,449**	0
Fair value of plan assets at 31 December	**4,320**	0

Plan assets are comprised as follows	2008
Shares	**4.5 %**
Short-term bonds	**30.7 %**
Bank deposits	**13.2 %**
Long-term bonds	**28.8 %**
Property	**16.8 %**
Other	**6.0 %**
Sum	**100.0 %**

	2008
Actual return on plan assets	**1.50%**

	2009	2008
The company's anticipated contributions to funded plans coming year	**6,630**	4,449

The company has established an occupational pension insurance.
The arrangement fulfils the requirements made by law of mandatory occupational pension.

Note 21 Legal matters

In the ordinary course of business, the company may become involved in legal discussions and disputes. If necessary, provisions will be made to cover the expected outcomes when it is probable that a liability has occurred and the amount is able to be reasonably estimated.

It is not anticipated that there will be any significant liabilities related to contingent liabilities.

Note 22 Events after the balance sheet date

The board of directors were on 8. January 2009 given authority to increase the company's share capital by up to NOK 100,000 by issuing 10,000 new shares at NOK 10 pr. share. During Q2 2009 parts of the proxy was used, and 8,065 new shares were issued at NOK 10 pr. share. The term for exercising the remaining 1,935 shares expires on 2. March 2010.

After the General Meeting of the 8. January 2009 and completed share issue during the first half of 2009 there is at this date 140,052 independent subscription rights which grant the right to subscribe shares at 80 % of the next emission rate.

The board of directors were on 17. June 2009 given authority to increase the company's share capital by up to NOK 920,000 by issuing 92,000 new shares at NOK 10 pr. share and at terms of subscription determined by the board of directors. The authority will be used to issue shares as a part of the company's incentive program for the CEO and other leading employees. The proxy runs until the common General Meeting of 2010, though at the latest of 30. June 2010.

At the same General Meeting on 17. June 2009 the board of directors were given authority to increase the company's share capital by up to NOK 40,000 by issuing 4,000 new shares at NOK 10 pr. share and at terms of subscription determined by the board of directors. The proxy will be used to issue new shares as a part of the company's bonus program for employees. The proxy runs until the common General Meeting of 2010, though at the latest of 30. June 2010.

In November 2009 the company entered into an agreement to buy 100 % of the shares in 4Sea Energy AS. The agreed purchase price is MNOK 50. The settlement is planned as a private placing toward existing shareholders in 4Sea Energy AS. The issue is to be considered at an extraordinary General Meeting on 9. December 2009.

In addition, North Energy has entered into an agreement with Centrica about the purchase of 12 % of PL 433 together with an agreement with Statoil about the purchase of 15 % of PL 385 in 2009. For the agreement with Centrica there has been made a payment to an "escrow" account of MNOK 10 during October 2009. The amount will be released after the first drilling which is expected to be completed during Q2 in 2010.

The company's draw on the cash credit pr. 31.12.2008 is in its entirety settled during the first half of 2009. The company has entered into a loan agreement with a financial institution where the company is granted a revolving draw facility of MNOK 300. A guarantee has been given in tax refund claims according to Petroleumsskatteloven, together with production licenses the company holds at any given time. The loan is entirely drawn in NOK, and due date is on the last day each month.

At the extraordinary General Meeting on 9. December it is expected that the company will agree to convert the company from AS to ASA.

Note 23 Hydrocarbon resources

In 2007 Oslo Stock Exchange issued guidelines with respect to the reporting of oil reserves, contingent assets and profit from drilling activities. The guidelines require that companies that participate in exploration in Norway report yearly movements in reserves.

North Energy holds shares in 8 licences in the Norwegian Sea and the Barents Sea. Among these, PL 526 is off the coast of Helgeland, where North Energy has been granted exploration rights. The company was granted TFO'08 and four licences in the 20th licensing round (April 2009). The company has additionally farmed in 12 % of PL 433 from Centrica (July 2009) and 15 % of PL 385 from Statoil (November 2009).

All the licences are in an early stage where seismic surveys will be performed in order to decide if there will be drilled test-wells. It is not possible to decide if there are oil-reserves in this early stage. At present, there has not been made any test-drilling on any of the licences. This will at the earliest be done in 2010.

The below table gives an overview of the company's licences.

Licence	Interest	Operator	Main prospect
PL 385	15%	StaoilHydro	Jette
PL 433	12%	Centrica	Fogelberg
PL 510	20%	Centrica	Gunnstein
PL 526	40%	North Energy	Vågar
PL 518	30%	DONG	Tore Hund
PL 530	20%	GdF Suez	Ottar
PL 535	20%	Total	Tore Hjort
PL 536	20%	StaoilHydro	Astrid

Note 24 Adapt to IFRS

The accounting principles described in note 1 has been applied by the preparation of the financial statement of 31. December 2008 and the corresponding figures for 2007. The table with the accompanying notes explain how the transition in accounting policies from Norwegian GAAP to IFRS has influenced the company's financial position, financial earnings and cash flows.

Reconciliation of the balance sheet and equity.

Amounts in NOK '000	Note	NGAAP 01.01.08	The impact of transition to IFRS 01.01.08	IFRS 01.01.08	NGAAP 31.12.08	The impact of transition to IFRS 31.12.08	IFRS 31.12.08
ASSETS							
Deferred tax asset	d	1,385	-1,385	0	4,024	-4,024	0
Equipment		3,899		3,899	15,597		15,597
Long-term receivables	a,c	1,500	0	1,500	5,231	-724	4,507
Total non-current assets		6,784	-1,385	5,399	24,852	-4,748	20,104
Tax receivable from refund		13,701		13,701	101,005		101,005
Other receivables		2,506		2,506	7,717		7,717
Cash and cash equivalents		18,692		18,692	13,331		13,331
Total current assets		34,899	0	34,899	122,053	0	122,053
Total assets		41,683	-1,385	40,298	146,905	-4,748	142,157
EQUITY							
Paid-in capital	e	46,831	-212	46,619	161,743	-212	161,531
Retained earnings	e	-6,879	-3,730	-10,609	-46,234	-6,354	-52,588
Total equity		39,952	-3,942	36,010	115,509	-6,566	108,943
LIABILITIES							
Pension liabilities	a	0	128	128	0	1,818	1,818
Total non-current liabilities		0	128	128	0	1,818	1,818
Trade and other payables	b	1,731	2,429	4,160	31,396		31,396
Total current liabilities		1,731	2,429	4,160	31,396	0	31,396
Total liabilities		1,731	2,557	4,288	31,396	1,818	33,214
Total equity and liabilities		41,683	-1,385	40,298	146,905	-4,748	142,157

Notes to the reconciliation of the balance sheet and equity.

The impact on deferred tax/deferred tax asset of the adjustments described below is evident in note d)

a) Pensions

The pension liability in the financial statement according to NGAAP as of 1. January and 31. December 2008 is lower than the real pension liability. This is due to accrued variances between estimated pension costs and actual pension costs (unamortised variances in estimates).
These items have an impact on the equity as of 1. January 2008 of TNOK -128, and of TNOK -2,542 as of 31. December 2008.
In the income statement of 2008, the pension liability will be reduced by TNOK 172 and in the corresponding figures of 2007 the pension liability will increase by TNOK 128.

b) Warrant share issues

The warrant share issues for employees pertaining to 2007 are incorporated into the balance sheet of 1. January 2008. The impact on equity as of 1. January 2008 is TNOK - 2,429. In the income statement the cost of wages of 2007 is increased by TNOK 2,429, and reduced by the same amount in 2008.

c) Employee receivables

Long-term receivables on employees are valued according to NGAAP at face value on 1. January 2008 and 31. December 2008. The receivables are valued according to IFRS at amortised cost. This has not produced an impact on equity, either as of 1. January 2008 or as of 31. December 2008. The difference between fair value and nominal value is considered to be a part of wages and is amortized over the terms of the loan. The use of amortised cost implies an increase in cost of wages for 2008 equal to TNOK 42, and a corresponding increase of financial income.

d) Tax

At the transition to IFRS the company has considered whether recognition of the deferred tax asset pertaining onshore and offshore deficit were to be recognised as it has been according to NGAAP. The company has reached the decision that it will not recognise the deferred tax asset until the probability of realisation is predominant. As a consequence of this the recognised deferred tax asset according to NGAAP is taken directly against equity at the transition.

Amount in NOK '000	Note	Deferred tax asset 01.01.08	Deferred tax asset 31.12.08
According to NGAAP		1,385	4,024
Non-recognised deferred tax asset		-1,385	-4,024
According to IFRS		0	0

e) Reconciliation of equity

The adjustments above have the following impact on the equity of North Energy AS', after tax:

Amount in NOK '000	Note	01.01.08	31.12.08
Equity according to NGAAP		39,952	115,509
Pensions	a	-128	-2,542
Subscription rights	b	-2,429	0
Deferred tax asset	d	-1,385	-4,024
Equity according to IFRS		36,010	108,943

In addition, there has been a reclassification of share issue costs from paid-in to retained earnings of TNOK 212 for 2007 and 2008.

Reconciliation of the income statement for 2007 and 2008

Amount in NOK '000	Note	NGAAP 2007	The impact of transition to IFRS	IFRS 2007	NGAAP 2008	The impact of transition to IFRS	IFRS 2008
Payroll and related cost	a,b,c	-752	-2,557	-3,309	-44,528	2,559	-41,969
Depreciation and amortisation		-63		0 -63	-2,013		0 -2,013
Other operating expenses		-21,186		-21,186	-96,820		-96,820
Operating profit (loss)		-22,001	-2,557	-24,558	-143,361	2,559	-140,802
Finance income	c	296		296	1,883	42	1,925
Finance costs		-48		-48	-1,405		-1,405
Net financial items		248	0	248	478	42	520
Profit (loss) before tax		-21,753	-2,557	-24,310	-142,883	2,601	-140,282
Income tax credit	a,b,d	14,874	-1,173	13,701	103,644	-2,639	101,005
Profit (loss) for the year		-6,879	-3,730	-10,609	-39,239	-38	-39,277

Reconciliation of the cash flow statement for 2007 and 2008

Amount in NOK '000	Note	NGAAP 2007	The impact of transition to IFRS	IFRS 2007	NGAAP 2008	The impact of transition to IFRS	IFRS 2008
Cash flow from operating activities							
Profit (loss) before tax	a,b,c	-21,753	-2,557	-24,310	-142,882	2,601	-140,282
Adjustment:							
Tax refunded		0		0	13,701		13,701
Depreciation and amortisation		63		63	2,013		2,013
Warrant share issue		0	2,429	2,429	10,887	0	10,887
Changes in trade and other receivables		1,471		1,471	4,241		4,241
Changes between expensed pension and payments	a	-212	128	-84	-939	-90	-1,029
Changes in other accrual accounting items	b,c	-2,035	0	-2,035	6,693	-2,511	4,182
Net cash flow from operating activities		-22,466	0	-22,466	-106,287	0	-106,287
Cash flow from investing activities							
Purchases of tangible fixed assets		-3,961		-3,961	-13,712		-13,712
Payments financial deposits		-1,500		-1,500	-2,832		-2,832
Net cash flow from investing activities		-5,461	0	-5,461	-16,544	0	-16,544
Cash flow from financing activities							
Net cash flow from share issues		46,619		46,619	108,181		108,181
Net change overdraft facilities		0		0	9,289		9,289
Net cash flow from financing activities		46,619	0	46,619	117,470	0	117,470
Changes in cash and cash equivalents		18,692		18,692	-5,361		-5,361
Cash and cash equivalents at 1 January		0		0	18,692		18,692
Cash and cash equivalents at 31 December		18,692	0	18,692	13,331	0	13,331

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Independent auditor's report

To the shareholders and Board of directors of North Energy AS

Report on the financial statements

We have audited the accompanying financial statements of North Energy AS which comprise the balance sheet as of 31 December 2007 and 2008 and the income statement, statement of changes in equity and cash flow statement for the years then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit as required by EU Regulation No 809/2004 as included in the Norwegian Securities Trading Act section 7-13. We conducted our audit in accordance with International Standards on Auditing/Norwegian Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 December 2007 and 2008, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Tromsø, 23 November 2009
PricewaterhouseCoopers AS

Kent-Helge Holst

Kent-Helge Holst
State Authorised Public Accountant (Norway)

North Energy AS
Postboks 1243
9504 Alta, Norway

www.northenergy.no

Photo: Langøya, Vesterålen, October 2009 (Christina Søgård)

Appendix 6: Subscription Form (English)

North Energy ASA
REPAIR OFFERING

SUBSCRIPTION FORM
Securities no. ISIN NO 001 0550056

General information: The terms and conditions of the repair offering (the "Offering") by North Energy ASA (the "Company") are set out in the prospectus dated 2 March 2012 (the "Prospectus"). Terms defined in the Prospectus shall have the same meaning in this Subscription Form. The notice of, and minutes from, the Extraordinary General Meeting (with appendices), the Company's by-laws and annual accounts and annual reports for the last two years are available at the Company's main office at Kunnskapsparken, Markedsgata 3, 9512 Alta, Norway / www.northenergy.no. All announcements referred to in this Subscription Form will be made through Oslo Stock Exchange' information system under the Company's ticker "NORTH".

Subscription procedures: The subscription period is from 09:00 hours (CET) on 6 March 2012 to 09:00 hours (CET) on 19 March 2012 (the "Subscription Period"). Correctly completed Subscription Forms must be received by the Managers before the end of the Subscription Period at one of the following addresses: **DNB, Registrars Department, Stranden 21, N-0021 Oslo, Norway, Fax. +47 22 48 29 80, Pareto Securities, Dronning Maudsgate 3, NO-0114 Oslo, Norway, Fax: +47 22 87 87 10** (the "Subscription Offices"). The subscriber is responsible for the correctness of the information filled in on the Subscription Form. Subscription Forms that are incomplete or incorrectly completed, or that are received after the end of the Subscription Period, and any subscription that may be unlawful, may be disregarded, at the discretion of the Managers on behalf of the Company. **Subscribers who are Norwegian citizens may also subscribe for Offer Shares through the VPS online subscription system by following the link on any of the following websites: www.dnb.no/markets or www.paretosec.no**. Subscriptions made through the VPS online subscription system must be duly registered before the expiry of the Subscription Period. Neither the Company nor any of the Managers may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical problems that may result in subscriptions not being received in time or at all by the Subscription Offices. Subscriptions are irrevocable and binding upon receipt and cannot be withdrawn, cancelled or modified by the subscriber after having been received by an Subscription Office, or in the case of subscriptions through the VPS online subscription system, upon registration of the subscription.

Subscription Price: The Subscription Price in the Offering is NOK 10.00 per Offer Share.

Subscription Rights: Eligible shareholders in the Company as of 9 February 2012 , as registered in the VPS as shareholders on the 14 February 2012, with a shareholding of 50,000 shares or less and who did not participate in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful, or for jurisdictions other than Norway, would require any filing, registration or similar action, are eligible to subscribe for Shares in the Offering and to receive non-transferable and non-tradeable Subscription Rights in the Offering ("Eligible Shareholders"). Each Eligible Shareholder will be granted 1 Subscription Right for every 1 Share registered as held by such Eligible Shareholder on 9 February 2012. Each Subscription Right will, subject to applicable securities laws, give the right to subscribe for and be allocated 0.46313 Offering Share, rounded down to the nearest whole Share. The Subscription Rights are non-tradeable and non-transferable, however Oversubscription and subscription without Subscription Rights is permitted by Eligible Shareholders. **Subscription Rights not used to subscribe for Offer Shares before the end of the Subscription Period will lapse without compensation to the holder, and, consequently, will be of no value from that point in time.**

Allocation of Offer Shares: The Offer Shares will be allocated to the subscribers based on the allocation criteria set out in the Prospectus. The Board reserves the right to round off, regulate or in another way reject or reduce any subscription not covered by Subscription Rights. The Company will not allocate fractional Offer Shares. Notification of allocated Offer Shares and the corresponding subscription amount to be paid by each subscriber is expected to be distributed in a letter from the VPS on or about 20 March 2012.

Payment: In completing this Subscription Form, or registering a subscription through the VPS online subscription system, subscribers authorise DNB (on behalf of the Managers) to debit the subscriber's Norwegian bank account for the total subscription amount payable for the Offer Shares allocated to the subscriber. Accounts will be debited on or about 22 March 2012 (the "Payment Date"), and there must be sufficient funds in the stated bank account from and including the date falling 2 banking days prior to the Payment Date. Subscribers who do not have a Norwegian bank account must ensure that payment for the allocated Offer Shares is made on or before the Payment Date. Details and instructions can be obtained by contacting DNB Markets, telephone: + 47 22 94 88 80. DNB Markets (on behalf of the Managers) is only authorized to debit each account once, but reserves the right (but has no obligation) to make up to three debit attempts through 30 March 2012 if there are insufficient funds on the account on the Payment Date. Should any subscriber have insufficient funds in his or her account, should payment be delayed for any reason, if it is not possible to debit the account or if payments for any other reasons are not made when due, overdue interest will accrue and other terms will apply as set out under the heading "Overdue and missing payments" below.

PLEASE SEE PAGE 2 OF THIS SUBSCRIPTION FORM FOR OTHER PROVISIONS THAT ALSO APPLY TO THE SUBSCRIPTION

DETAILS OF THE SUBSCRIPTION

Subscriber's VPS account:	Number of Subscription Rights:	Number of Offer Shares subscribed (incl. over-subscription):	(For broker: consecutive no.):
SUBSCRIPTION RIGHT'S SECURITIES NUMBER (ISIN): NO 001 0637465		Subscription Price per Offering Share: NOK 10.00	Subscription amount to be paid: NOK

IRREVOCABLE AUTHORIZATION TO DEBIT ACCOUNT (MUST BE COMPLETED BY SUBSCRIBERS WITH A NORWEGIAN BANK ACCOUNT)

Norwegian bank account to be debited for the payment for Offer Shares allocated (number of Offer Shares allocated x NOK 10.00).	(Norwegian bank account no.)

I/we hereby irrevocably (i) subscribe for the number of Offer Shares specified above subject to the terms and conditions set out in this Subscription Form and in the Prospectus, (ii) authorize and instruct each of the Managers (or someone appointed by any of them) acting jointly or severally to take all actions required to transfer such Offer Shares allocate to me/us to the VPS Registrar and ensure delivery of the beneficial interests to such Offer Shares to me/us in the VPS, on my/our behalf, (iii) authorize DNB (on behalf of the Managers) to debit my/our bank account as set out in this Subscription Form for the amount payable for the Offer Shares allotted to me/us, and (iv) confirm and warrant to have read the Prospectus and that I/we are eligible to subscribe for Offer Shares under the terms set forth therein.

Place and date	**Binding signature**
must be dated in the Subscription Period.	The subscriber must have legal capacity. When signed on behalf of a company or pursuant to an authorization, documentation in the form of a company certificate or power of attorney must be enclosed.

INFORMATION ON THE SUBSCRIBER – ALL FIELDS MUST BE COMPLETED

First name	
Surname/company	
Street address	
Post code/district/ country	
Personal ID number/ organization number	
Nationality	
E-mail address	
Daytime telephone number	

ADDITIONAL GUIDELINES FOR THE SUBSCRIBER

Regulatory issues: In accordance with the Markets in Financial Instruments Directive ("MiFID") of the European Union, Norwegian law imposes requirements in relation to business investments. In this respect, the Managers must categorize all new clients in one of three categories: eligible counterparties, professional clients and non-professional clients. All subscribers in the Offering who are not existing clients of one of the Managers will be categorized as non-professional clients. Subscribers can, by written request to a Manager, ask to be categorized as a professional client if the subscriber fulfils the applicable requirements of the Norwegian Securities Trading Act. For further information about the categorization, the subscriber may contact DNB Markets (KSC - Customer Administration, P.O. Box 7100, NO5020 Bergen, Norway or www.dnb.no/en/mifid) or Pareto Securities AS (Dronning Maudsgate 3, NO-0114 Oslo, Norway). **The subscriber represents that he/she/it is capable of evaluating the merits and risks of a decision to invest in the Company by subscribing for Offer Shares, and is able to bear the economic risk, and to withstand a complete loss, of an investment in the Offer Shares.**

Selling Restrictions: The attention of persons who wish to subscribe for Offer Shares is drawn to Section 12.11 "Selling and transfer restrictions" of the Prospectus. The Company is not taking any action to permit a public offering of the Subscription Rights or the Offer Shares (pursuant to the exercise of the Subscription Rights or otherwise) in any jurisdiction other than Norway. Receipt of the Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, the Prospectus is for information only and should not be copied or redistributed. Persons outside Norway should consult their professional advisors as to whether they require any governmental or other consent or need to observe any other formalities to enable them to subscribe for Offer Shares. It is the responsibility of any person wishing to subscribe for Offer Shares under the Offering to satisfy himself as to the full observance of the laws of any relevant jurisdiction in connection therewith, including obtaining any governmental or other consent which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The Subscription Rights and Offer Shares have not been registered, and will not be registered, under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered, sold, taken up, exercised, resold, delivered or transferred, directly or indirectly, within the United States, except pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act and in compliance with the securities laws of any state or other jurisdiction of the United States. The Subscription Rights and Offer Shares have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan and may not be offered, sold, taken up, exercised, resold, delivered or transferred, directly or indirectly, in or into Australia, Canada or Japan. This Subscription Form does not constitute an offer to sell or a solicitation of an offer to buy Offer Shares in any jurisdiction in which such offer or solicitation is unlawful. A notification of exercise of Subscription Rights and subscription of Offer Shares in contravention of the above restrictions may be deemed to be invalid. By subscribing for the Offer Shares, persons effecting subscriptions will be deemed to have represented to the Company that they, and the persons on whose behalf they are subscribing for the Offer Shares, have complied with the above selling restrictions.

Execution Only: The Managers will treat the Subscription Form as an execution-only instruction. The Managers are not required to determine whether an investment in the Offer Shares is appropriate or not for the subscriber. Hence, the subscriber will not benefit from the protection of the relevant conduct of business rules in accordance with the Norwegian Securities Trading Act.

Information exchange: The subscriber acknowledges that, under the Norwegian Securities Trading Act and the Norwegian Commercial Banks Act and foreign legislation applicable to the Managers there is a duty of secrecy between the different units of each of the Managers as well as between the Managers and the other entities in the Managers' respective groups. This may entail that other employees of the Managers or the Managers' respective groups may have information that may be relevant to the subscriber and to the assessment of the Offer Shares, but which the Managers will not have access to in their capacity as Managers for the Offering.

Information barriers: The Managers are securities firms that offer a broad range of investment services. In order to ensure that assignments undertaken in the Managers' corporate finance departments are kept confidential, the Managers' other activities, including analysis and stock broking, are separated from the respective Managers' corporate finance departments by information walls. Consequently the subscriber acknowledges that the Managers' analysis and stock broking activity may conflict with the subscriber's interests with regard to transactions in the Shares, including the Offer Shares.

VPS account and mandatory anti-money laundering procedures: The Offering is subject to the Norwegian Money Laundering Act of 6 March 2009 No. 11 and the Norwegian Money Laundering Regulations of 13 March 2009 No. 302 (collectively, the "Anti-Money Laundering Legislation"). Subscribers who are not registered as existing customers of one of the Managers must verify their identity to one of the Managers in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers who have designated an existing Norwegian bank account and an existing VPS account on the Subscription Form are exempted, unless verification of identity is requested by a Manager. Subscribers who have not completed the required verification of identity prior to the expiry of the Subscription Period will not be allocated Offer Shares. Participation in the Offering is conditional upon the subscriber holding a VPS account. The VPS account number must be stated in the subscription form. VPS accounts can be established with authorized VPS registrars, who can be Norwegian banks, authorized securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. Establishment of a VPS account requires verification of identity to the VPS registrar in accordance with the Anti-Money Laundering Legislation. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorized by the Financial Supervisory Authority of Norway.

Terms and conditions for payment by direct debiting - securities trading: Payment by direct debiting is a service the banks in Norway provide in cooperation. In the relationship between the payer and the payer's bank the following standard terms and conditions apply:

a) The service "Payment by direct debiting – securities trading" is supplemented by the account agreement between the payer and the payer's bank, in particular Section C of the account agreement, General terms and conditions for deposit and payment instructions.

b) Costs related to the use of "Payment by direct debiting – securities trading" appear from the bank's prevailing price list, account information and/or information given in another appropriate manner. The bank will charge the indicated account for costs incurred.

c) The authorization for direct debiting is signed by the payer and delivered to the beneficiary. The beneficiary will deliver the instructions to its bank that in turn will charge the payer's bank account.

d) In case of withdrawal of the authorization for direct debiting the payer shall address this issue with the beneficiary. Pursuant to the Norwegian Financial Contracts Act the payer's bank shall assist if the payer withdraws a payment instruction that has not been completed. Such withdrawal may be regarded as a breach of the agreement between the payer and the beneficiary.

e) The payer cannot authorize payment of a higher amount than the funds available on the payer's account at the time of payment. The payer's bank will normally perform a verification of available funds prior to the account being charged. If the account has been charged with an amount higher than the funds available, the difference shall immediately be covered by the payer.

f) The payer's account will be charged on the indicated date of payment. If the date of payment has not been indicated in the authorization for direct debiting, the account will be charged as soon as possible after the beneficiary has delivered the instructions to its bank. The charge will not, however, take place after the authorization has expired as indicated above. Payment will normally be credited the beneficiary's account between one and three working days after the indicated date of payment/delivery.

g) If the payer's account is wrongfully charged after direct debiting, the payer's right to repayment of the charged amount will be governed by the account agreement and the Norwegian Financial Contracts Act.

Overdue and missing payments: Overdue payments will be charged with interest at the applicable rate under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100; 8.75% per annum as of the date of the Prospectus. If the subscriber fails to comply with the terms of payment or should payments not be made when due, the subscriber will remain liable for payment of the Offer Shares allocated to it and the Offer Shares allocated to such subscriber will not be delivered to the subscriber. In such case the Company and the Managers reserve the right to, at any time and at the risk and cost of the subscriber, re-allot, cancel or reduce the subscription and the allocation of the allocated Offer Shares, or, if payment has not been received by the third day after the Payment Date, without further notice sell, assume ownership to or otherwise dispose of the allocated Offer Shares in accordance with applicable law. If Offer Shares are sold on behalf of the subscriber, such sale will be for the subscriber's account and risk and the subscriber will be liable for any loss, costs, charges and expenses suffered or incurred by the Company and/or the Managers as a result of, or in connection with, such sales. The Company and/or the Managers may enforce payment for any amounts outstanding in accordance with applicable law. The Company and the Managers reserve the right to advance the payment for any Offer Shares not paid by the subscribers when due as described in Chapter 12 of the Prospectus. The non-paying subscribers will remain fully liable for payment of the Offer Shares allocated to them, irrespective of any such payment by the Managers.

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