



Translation from the original Norwegian version

For the attention of the General Meeting of North Energy ASA

We have been engaged by the Board of Directors of North Energy ASA (the Board) to provide an independent expert report in accordance with the requirements of the Public Limited Companies Act § 3-8, cf. § 2-6 relating to three agreements entered into with related parties.

The Boards responsibility for the report

The Board is responsible for the valuation information prepared in connection with the agreements.

The independent expert's responsibilities

North Energy ASA (NE ASA or the Company) plan to restructure the Company into an active ownership vehicle that will exploit investment opportunities within the oil and gas industry.

NE ASA has concluded that they wish to establish a long-term incentive model, which provides aligned incentives for shareholders and those persons that actively work to develop projects and value in the Company both through existing and new investments. In this connection, the Board has developed a model, which will achieve this in a balanced fashion and now wish to complete the restructuring necessary to achieve this.

In this connection, the Board proposes to establish a new company, North Energy Capital AS (NEC). Substantially all of the business and assets of NE ASA will be transferred to NEC, with 100% of the preference shares and 80% of the ordinary shares in NEC being provided as consideration for this transaction. In addition a new management company will be established, North Advisors AS (NA), which will be wholly owned by a management group comprising; Anders Onarheim, Rachid Bendriss and Didrik Leikvang. NA will own the remaining 20% of the ordinary shares in NEC and thereby have a right to 20% of the value creation in NEC over and above the value that is agreed should accrue to the preference shares.

It is proposed that NE ASA and NEC enter into an advisory agreement with NA which has a minimum term of 3 years from completion of the restructuring (the Initial Period), whereby NA will provide strategic and financial advice to the board and management of NE ASA and NEC. Further, a shareholder agreement will be established between NE ASA and NA in respect of ownership in NEC.



The Board will ensure that the agreements entered into in connection with NECs purchase of assets and liabilities from NE ASA and purchase of advisory services from NEC are entered into on market terms and conditions. Further, the Board will ensure that the terms of the shareholder agreement are commercial and balanced.

The management group in NA currently own indirectly 10,02 % of the ordinary shares in NE ASA, and therefore must be considered to be related parties to NE ASA. In the case of transactions with related parties, where the value of an agreement exceeds 1/20 of the share capital, it is required that one or more independent experts shall prepare an independent statement in accordance with requirements of the Public Limited Companies Act § 3-8, cf. § 2-6.

Our responsibility is prepare a statement in respect of the three agreements presented above, specifically;

- The agreement for the transfer of assets and liabilities from NE ASA to NEC with consideration in shares (the Transaction Agreement)
- The shareholder agreement between NE ASA and NA in respect of ownership in NEC (the Shareholder Agreement)
- The agreement for the provision of advisory services from NA to NEC (the Advisory Agreement)

We are of the opinion that the commercial relationships between all three agreements requires that these agreements must be considered together and in sum, in respect of the requirements of the Public Limited Companies Act.

Our statement addresses whether there is a reasonable correlation between the value provided by the Company and the value of the consideration received by the Company.

This report comprises two elements. The first part is a presentation of information in accordance with the requirements of the Public Limited Companies Act § 3-8, cf § 2-6 first paragraph, 1 to 4. The second part sets out our statement as to whether there is a reasonable correlation between the value the Company provided to the Buyer and the value of the consideration received by the Company in return.

Agreement 1 – Transfer of assets and liabilities – Transaction Agreement

NE ASA owns 100% of the shares in North E&P AS (North E&P), previously Explora Petroleum AS. The shares in North E&P were purchased on 11. February 2016. As part of the restructuring process, NE ASA will transfer 100 % of the shares in North E&P AS (North E&P) to NEC.

For strategic reasons and in accordance with conditions set out for the Ministry of Petroleum and Energy's approval of such acquisition, the Company is in the process of transferring its entire E&P business to North E&P. This business transfer will be structured as a credit sale with deferred settlement of the full amount of the agreed purchase price (the Seller Credit). The business transferred will include, but not be limited to, all assets, rights and obligations related to the Company's petroleum license interests, all rights and obligations relating to the employees of the Company save for rights and obligations relating to the CEO (who will



remain in his position with the Company), all office equipment and other fixed assets, all contractual rights and obligations including office leases and seismic data, all working capital items save for bank deposits, and all tax balances relating to losses carried forward (save for refundable tax balances relating to exploration costs incurred in 2015). In addition to the rights and obligations relating to the CEO and the tax refundable exploration costs for 2015, the Company will among other things retain the debtor position under the Exploration Finance Facility with DNB (to be settled upon receipt of tax refunds in December 2016) and the debtor position under convertible loans, and bank deposits.

In summary, the following will be transferred from NE ASA to NEC:

- A receivable from North E&P, arising in connection with the sale of assets from NE ASA to North E&P
- 100 % of the shares in North E&P
- 100 % of the shares in 4SeaEnergy AS
- Shares in stock exchange listed companies
- Bonds issued by stock exchange listed companies

After the assets and liabilities are transferred from NE ASA to North E&P with settlement by way of Seller Credit as described, the agreements addressed by this statement will be completed.

The agreed value of the assets to be transferred is NOK 136 800 000 of which NOK 136 000 000 shall be allocated to preference shares (the First Tranche Preference Capital) and NOK 800 000 shall be allocated to ordinary shares.

In connection with these agreements, the Board engaged Pareto Securities AS (Pareto) to perform a valuation. Pareto has performed a valuation of the business to be transferred from NE ASA to North E&P and the shares in North E&P. Pareto has performed its valuation based on recognized valuation methods. In this connection, they have evaluated future cash flows, probable scenarios for licenses and the time value of tax advantages. Other valuation references include NE ASAs purchase of 100 % of the shares in North E&P and implicit pricing of assets based on the actual share price in NE ASA. In addition, shares and bonds in listed entities are evaluated with reference to traded prices.

The final price for assets to be transferred have been determined based on negotiations between the Board and NA. The valuation from Pareto, NE ASAs actual purchase price for 100% of the shares in North E&P and the implicit market pricing of NE ASA have been of particular significance in arriving at the negotiated values.

Agreement 2 – Shareholder Agreement

The Board has proposed to enter into a shareholder agreement between NE ASA and NA in connection with the establishment of NEC.

Each Ordinary Share in NEC shall carry one vote. The Preference Shares shall not carry any votes.



As part of the long-term financing of NEC, NE ASA shall no later than 1 April 2017 contribute new equity capital of NOK 75 000 000 to NEC through the issuance of Preference Shares (the New Equity). The New Equity shall be settled in cash.

In the event that the Board determines that NEC requires cash funding, which cannot be satisfied from the Group's existing reserves, the Board shall propose that NEC shall be funded by way of issuance of Preference Shares, contribution of loans or other equity and/or loan instruments (Additional Funding).

NE ASA and NA shall have the right, but no obligation, to participate pro rata in any Additional Funding of NEC.

The Preference Shares shall be entitled to a preferred return calculated as set out in the following (the Preference Return):

- (i) The Preference Shares subscribed by NE ASA on the Agreement Date (the First Tranche Preference Capital) shall yield a return of 8 % for the period starting on the date of contribution of such share capital to NEC and ending on the date falling 12 months thereafter (the First Return Period);
- (ii) The New Equity shall yield a return of 7,1 % for the entire First Return Period, regardless of when such funds are contributed to NEC;
- (iii) The Original Equity and the New Equity shall yield a return of 10 % for the period starting at the last date of the First Return Period and ending on the date falling 12 months thereafter (the Second Return Period);
- (iv) The Original Equity and the New Equity shall yield a return of 12 % for the period starting at the last date of the Second Return Period and ending on the date falling 12 months thereafter (the Third Return Period); and

The Preference Amount shall be distributed to the Company by way of dividend payments according to the following schedule (assuming contribution of the Original Equity and the New Equity in full):

- (i) NOK 25 000 000 on the last day of the First Return Period;
- (ii) NOK 75 000 000 on the last day of the Second Return Period; and
- (iii) NOK 111 000 000 plus all accrued Preference Return on the last day of the Third Return Period.

The preference return shall be compounded annually.

Any excess capital in NEC after the distribution of the Preference Capital and preference returns will be retained by NEC or distributed to the holders of ordinary shares in accordance with the ordinary principles of the Private Limited Liability Companies Act and subject to decision by the Board of Directors of NEC.



If the Preference Capital, including all accrued preference return, is not repaid in accordance with the schedule set out above, the Company may purchase NA' shares in NEC (call option) at the greater of fair value and cost price of the shares. The call option price may be settled by way of issuance of shares in NE ASA or in cash.

No party may transfer shares during the Initial Period.

Following the Initial Period, the Company may at any time, unilaterally initiate an exit process, including require that North Advisors participate in a sale of 100% of the shares in NE Capital to a third party.

If, following the Initial Period, North Advisors' ownership interest falls below 20% of the ordinary shares of NEC (or if NA' right to distributions is diminished as a result of an additional funding of NEC), NA shall have the right to sell its shares to the Company (put option) at fair value, to be settled by way of issuance of shares in NE ASA (or at the option of the Company, in cash).

If the parties are unable to agree on the fair value of shares, the fair value shall be determined by an independent expert.

The Shareholder Agreement must be considered in connection with the establishment of NEC and the assets and liabilities that are contributed to NEC.

Agreement 3 – Advisory Agreement

The Boards proposal for the Advisory Agreement between NE ASA, NEC (hereafter referred to as the Companies) and NA require that the advisor shall contribute with strategic and financial advisory services to NEC and NE ASA. This involves amongst other matters the following;

- (a) develop and prepare business plans and strategic analysis and provide strategic advice in relation thereto;
- (b) develop and prepare financing plans and provide assistance in relation to equity and debt financing;
- (c) search out, identify and evaluate potential strategic partners and business opportunities of the Companies and assist in negotiations, execution of transactions and subsequent business integration processes;
- (d) evaluate and advise the Companies in relation to business development and operations of Group Companies, including assist in relation to negotiations of commercial contracts and transactions, human relation matters and incentive schemes;
- (e) assist the Company in connection with capital market transactions, investor relations, dividend policy and other stock exchange related matters.

As remuneration for these services, the Company will pay an annual fee to NA equal to 2% of the book value of the North Energy Group (calculated on the basis of North Energy Group 's consolidated accounts), exclusive VAT. The fee shall be calculated and payable quarterly.



Each Party may require the termination of the Advisory Agreement in the following situations:

- (a) with immediate effect by written notice in the event of the other Party's material breach of its obligations under the Agreement; and
- (b) following the third anniversary of the Agreement Date, without cause by giving not less than six (6) months' prior written notice to the other Party of such termination.

The Board of NE ASA has negotiated the Advisory Agreement with NA and considers that the Agreement reflects normal commercial market terms and conditions.

Independent expert statement

We have conducted our work and provide our statement in accordance with the standard for assurance engagements and statements in respect of Norwegian company law, SA 3802, (*“Revisors uttalelser og redegjørelser etter selskapslovgivningen”*). The standard requires that we plan and perform our procedures in order to obtain reasonable assurance that there is a correlation between the value the Company provided in the transaction and the value of the consideration received by the Company.

Our work has comprised a review, analysis and evaluation of the:

- Transaction Agreement
- Advisory Agreement
- Shareholder Agreement
- Agreement for transfer of assets and liabilities between NE ASA its subsidiary North E&P
- Valuations performed by Pareto
- Market prices for the shares of NE ASA and the acquisition price for the shares in North E&P

As part of our work, we have also reviewed and evaluated information from board minutes and related documentation and financial information. Furthermore, we have evaluated the sources of information and methods used to determine values, as well as the underlying assumptions in this connection.

Based on an evaluation of the Company's actual situation as described, and the evaluation conducted by the Board, we are of the opinion that the agreements are established on arm's length principles.

We have had access to all relevant information we have considered necessary for our work. In our opinion, the information obtained has been sufficient and appropriate for the purposes of our statement.

Conclusion

In our opinion, there is a reasonable correlation between the value the Company to be provided and the value of the consideration to be received by the Company. The consideration the Company shall receive is:

- i. Preference Capital with nominal value of NOK 136 000 000 and
- ii. Ordinary Shares with nominal value of NOK 800 000

We are of the opinion that there is a reasonable correlation between the values provided and the considerations received in the Transaction Agreement, the Shareholder Agreement and the Advisory Agreement evaluated together.

Our conclusion assumes that the Boards proposals are completed as set out in the draft agreements, and that no material changes are made to the agreements in connection with ratification of these agreements by the general meeting.

The transfer of the Company's operating business to North E&P and the subsequent transfer of all shares in North E&P to NEC will be subject to approval by the Ministry of Petroleum and Energy. Such approvals are expected to be granted on acceptable conditions for the Company and its subsidiaries. The completion of the various transactions envisaged will be subject to all formal approvals having been granted.

Oslo, 26 April 2016

Kjelstrup & Wiggen Consulting AS

Trond Bjerger

State Authorised Public Accountant