

INTERIM REPORT

for the first quarter 2016



north
energy

Contents

HIGHLIGHTS OF THE FIRST QUARTER

EVENTS AFTER 31 MARCH

KEY FIGURES

PROPOSED NEW CORPORATE AND MANAGEMENT STRUCTURE

FINANCIAL CONDITION IN THE FIRST QUARTER 2016

EXPLORATION AND BUSINESS DEVELOPMENT

HUMAN RESOURCES

HEALTH, SAFETY AND THE ENVIRONMENT

OUTLOOK

FINANCIAL STATEMENTS FOR THE FIRST QUARTER

Highlights of the first quarter

» **Expanded business scope following General Meeting resolution.**

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

» **Gain of NOK 101 million recorded from the acquisition of Explora Petroleum AS ("Explora").**

The acquisition of Explora was completed in February. The total purchase consideration was NOK 21 million, while the net fair value of the identifiable assets acquired totaled NOK 122 million. This resulted in a recorded gain of NOK 101 million in the first quarter financial statements.

» **New credit facility signed with DNB and SEB.**

A new exploration credit facility for 2016-2017 was signed with DNB and SEB, with DNB as the lead bank. The agreement strengthens and secures the financial position of the Company.

» **High grading of portfolio resulting in several license divestments and relinquishments.**

North Energy's revised exploration strategy with higher commercial thresholds resulted in several license divestments and relinquishments during the quarter. The Company divested its interests in PL 707, PL 789, PL 507, and PL 722.

» **Restructuring project almost complete.**

The Company's extensive restructuring plan is close to completion. Throughout 2015, North Energy reduced its operating costs by approximately 24 per cent (excluding restructuring costs), in response to continued adverse market conditions. Further cost reductions will be implemented this year following the Explora acquisition.

Events after 31 March

A new corporate and management structure proposed by the Board of Directors. In April, the Board put forward a proposal for a new corporate and management structure to strengthen the Company's business model and its commercial platform. As a key part of its new strategy, North Energy will also strengthen its management resources. The Company has negotiated an advisory agreement whereby the Company will outsource certain strategic, financial and business advisory services. The proposal requires the approval of the General Meeting, and an EGM has been called for 18 May.

High grading of portfolio resulting in several licence divestments and relinquishments. As a continuation of the high-grading process described above, several licences were disposed in April. The Company divested PL784, PL 798, and PL 799.

Key figures

NOK mill	Q1 2016	Q1 2015	Q4 2015	Full year 2015
Gain from sales of licences	12	-	5.8	5.4
Exploration and licence expenses	-6	-117.1	-64.4	-415.2
Payroll and related expenses	-16.7	-16.3	0.3	-40.3
Operating profit	-33.2	-144.6	-73.3	-500.6
Gain from bargain purchase	100.8	-	-	-
Profit before income tax	67.4	-149.9	-84.2	-525.1
Income tax credit	26.7	114.3	60.7	399.1
Profit for the period	94.1	-35.6	-23.6	-126.1
Total assets	1004.0	773.0	647.2	647.2
Total equity	417.1	404.5	314.9	314.9
Equity ratio (%)	41.5	52.3	48.6	48.7
Interest-bearing debt	549.2	240.4	294.3	294.3
Number of employees	25	43	27	27
Number of licences (operatorships)	22 (2)	23 (2)	19 (2)	19 (2)

Proposed new corporate and management structure

In April, the Board presented a proposal for a new corporate and management structure to strengthen North Energy's business model and commercial platform. The purpose of the proposed reorganisation is to create a more flexible and robust corporate structure, which includes organizing its existing and new business segments in separate subsidiaries. The objective of the new structure is both to unlock inherent values in the Company as well as to generate returns through new investment opportunities.

Financial condition in the first quarter 2016

The consolidated financial statements encompass North Energy ASA, the newly acquired company North E&P AS, and the wholly owned subsidiary 4Sea Energy AS.

North Energy recorded a net profit of NOK 94.1 million in

the first quarter of 2016, compared with a loss of NOK 35.6 million in the corresponding quarter 2015. The improved result was mainly driven by the gain reported on the acquisition of the company North E&P (former Explora Petroleum AS). Excluding this gain, North Energy had a net loss of NOK 6.7 million.

Total exploration costs amounted to NOK 6 million in the first quarter, compared to NOK 117.1 million in the corresponding quarter 2015. The first quarter of 2015 was impacted by drilling costs on the Tvillingen South and Haribo prospects, while there were no drilling expenses in the first quarter of 2016. North Energy does not expect to participate in drilling activities in 2016.

Payroll and other related expenses in the first quarter was NOK 16.7 million compared to NOK 16.3 million in the first quarter of 2015. The figure for 2016 includes NOK 6.2 million in one-off expenses related to the ongoing restructuring phase. Payroll expenses in the first quarter were also impacted by the acquisition of North E&P. Payroll expenses are expected to drop going forward, once the integration and implementation of the new organisation is completed.

Total assets at the end of the first quarter were NOK 1004 million, an increase from NOK 773 million in the first quarter of 2015. The increase is mainly driven by the consolidation of North E&P in the Group. Total assets

deriving from the North E&P balance sheet amounted to NOK 334 million.

Total equity at the end of the first quarter was NOK 4171 million, up from NOK 4045 million at the end of first quarter 2015, reflecting the consolidation of the new subsidiary, which contributed NOK 119.9 million to the equity. The Company's equity ratio stood at 41.5 per cent at the end of the first quarter.

Interest-bearing debt at the end of the first quarter was NOK 549.2 million. A new exploration credit facility was negotiated and entered into in the quarter. The NOK 950 million facility was entered into with DNB and SEB as lenders. This facility replaced previous facilities for both North Energy and Explora Petroleum.

North Energy recorded NOK 48.3 million in cash and cash equivalents at the end of the first quarter. Adjusted for tax receivables of NOK 644.9 million, net working capital of minus NOK 3.5 million and the exploration loan balance of NOK 508 million, the Company reported a net cash position of NOK 181.8 million. This was slightly down from NOK 188.3 million at the end of the fourth quarter, mainly due to inclusion of the convertible loan balance in the working capital, partly offset by the inclusion of the positive net cash balance derived from the consolidation of North E&P. The Company had an available credit facility of NOK 442 million at the end of the first quarter.

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

Exploration and business development

The process of merging the North Energy and North E&P licence portfolios took place in the first quarter. Based on commercial considerations and the fact that North E&P has decided to focus the work in a few defined core areas in the Barents Sea and Norwegian Sea, many licences have recently been divested and relinquished.

Among the licenses soon to be relinquished is North Energy's operated licence PL 590.

The active portfolio for the combined companies at the moment contains 8 licences. (fig. 1, next page)

North E&P is currently reviewing the available prospectivity in the upcoming APA 2016 licensing round. Focus area for the APA 2016 will be the Barents Sea. The Company has over several years built a strong in-house competence and an extensive database for the area. A final version of brand new seismic is under way and will be included in the work. The Company will be very selective with regards to future commitments, including applications in licensing rounds. Future prospects must meet stringent requirements for rapid commercialization.



FIG.1 // LICENCE PORTFOLIO

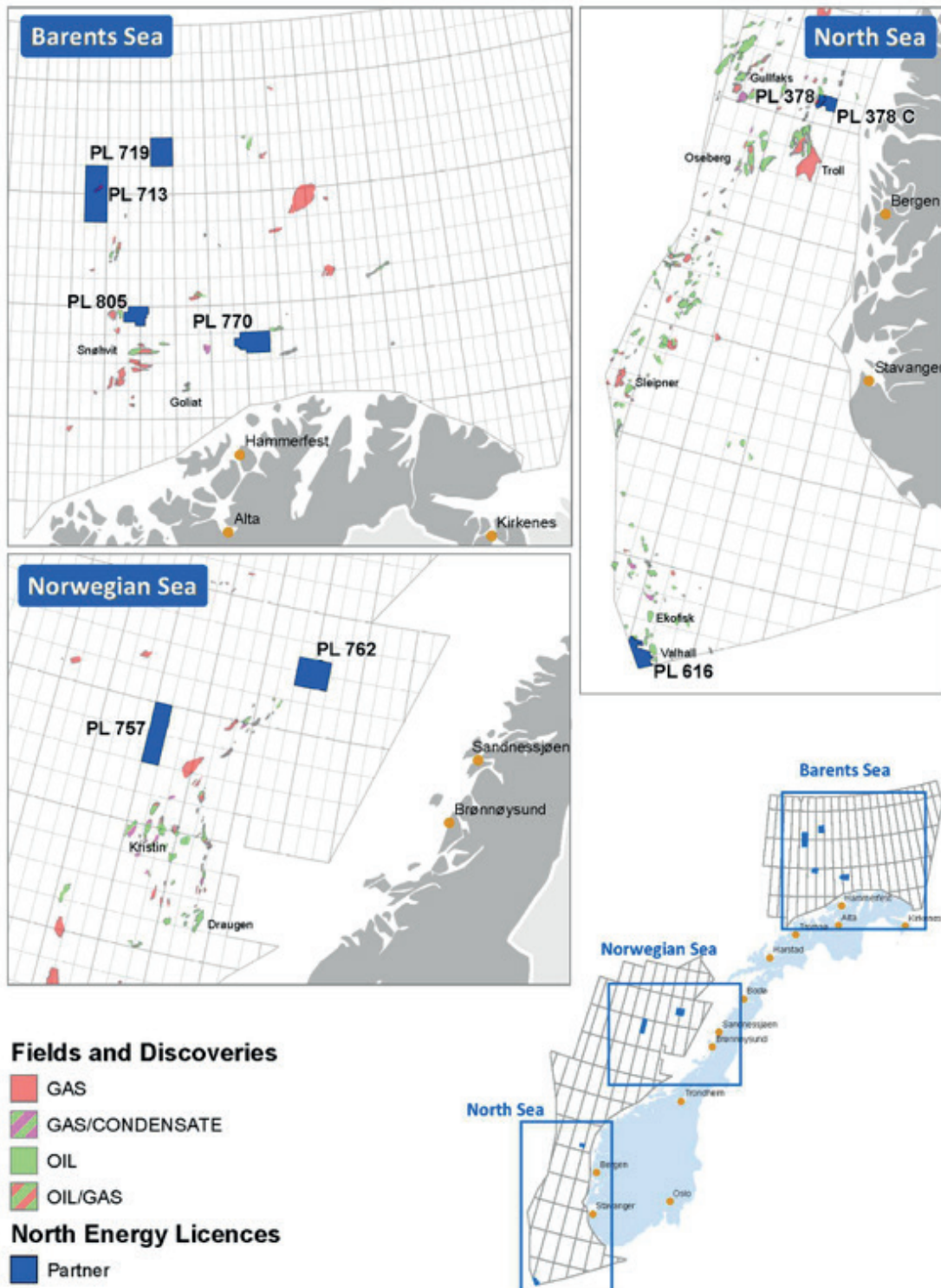


FIG. 2 // NORTH E&P ACTIVE LICENCES

License	Prospect	Interest	Operator	Location	Rig	DoD /BOK Deadline
PL 378, C	Skarfjell	17.5	Wintershall	North Sea	N/A	Q1 2017**
PL 757	Batur	30%	Centrica	Norwegian Sea	N/A	Q1 2017
PL 770	Saarikoski	20%	Edison	Barents Sea	N/A	Q1 2016*
PL 719	Sandia/ Scarecrow	20%	Centrica	Barents Sea	N/A	Q2 2016
PL 713	Pingvin	20%	Statoil	Barents Sea	N/A	Q2 - 2017
PL 616	Haribo	15%	Edison	North Sea	N/A	Q2 - 2016
PL 762	Vågar	20%	Noreco	Norwegian Sea	N/A	Q1 - 2017
PL 805	Highbury	40%	Lundin	Barents Sea	N/A	Q1 - 2017

* Applied for 1 year extension ** Drill well by Q1 2017 or relinquish

Human resources

The process of reducing cost and work force continued according to plan in the first quarter. At the end of the first quarter, the group of Companies counted 25 full time employees, an increase from 12 at the end of 2015. The increase is due to the consolidation of former Explora employees. Further reductions are planned to take place in the second quarter.

The closure of the Company's office in Tromsø was completed in the first quarter, and all activities are now concentrated in Oslo. However, in an interim period, the Company will operate an office in Stavanger until the integration with former Explora Petroleum is completed.

The Board of Directors of North E&P AS now consists of the CEO of North Energy, Knut Sæberg (Chairman) and Didrik Leikvang. The CEO role in North E&P is currently filled by the Board of Directors as a collegiate body.

The Company has a dispute with the former CEO, Erik Karlstrøm, about the validity of the Company's dismissal of Karlstrøm dated 30 April 2015. Mr. Karlstrøm argues that the dismissal was unlawful and therefore claims a severance payment of NOK 6 million. On 22 April 2016, the Alta City Court decided that the dismissal of Erik Karlstrøm was valid, and consequently acquitted the Company. The decision from the City Court is not final.

Erik Karlstrøm has the opportunity to bring the matter before the Court of Appeal. The time of appeal is one month, and it expires on the 25 May 2016.

Health, safety and the environment (HSE)

There were no reported incidents related to North Energy's operations in the first quarter of 2016. Sickness absence for the first quarter 2016 was below 2 per cent. Total sickness absence for 2015 was 4.1 per cent.

Outlook

The acquisition of Explora has strengthened North Energy's financial position. Together with the proposed changes to the corporate structure and management set-up, the Board believes North Energy is well positioned to unlock inherent values in the Company as well as to generate returns through new investment opportunities based on both its existing and new business segments.

With a leaner organisation, limited investment commitments and NOK 183 million in net cash (including net tax

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

The Company's strategic review continues. North Energy believes that the sharp drop in oil price has necessitated a greater focus on cost optimization and larger, more robust entities, and the Company will continue to monitor the market for potential M&A candidates.



North Energy – Financial statements first quarter 2016

CONSOLIDATED INCOME STATEMENT

NOK 1 000

	Note	Q1 2016 (unaudited)	Q1 2015 (unaudited)	Year 2015 (audited)
Gain from sales of licences		1 169	0	5 367
Payroll and related expenses		(16 724)	(16 276)	(40 292)
Depreciation and amortisation		(741)	(1 315)	(6 050)
Exploration and licence expenses		(6 039)	(117 100)	(415 240)
Other operating expenses		(10 858)	(9 884)	(44 388)
Operating loss		(33 193)	(144 575)	(500 602)
Financial income		11 686	3 466	17 585
Financial expenses		(11 876)	(8 805)	(42 113)
Net financial items		(190)	(5 339)	(24 529)
Gain from bargain purchase	14	100 808	0	0
Profit/(loss) before income tax		67 424	(149 914)	(525 131)
Income tax credit	10	26 675	114 342	399 079
Profit/(loss) for the period		94 100	(35 572)	(126 052)
Earnings per share (NOK per share)				
- Basic		0,79	(0,30)	(1,06)
- Diluted		0,79	(0,30)	(1,06)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

NOK 1 000

	Q1 2016 (unaudited)	Q1 2015 (unaudited)	Year 2015 (audited)
Profit/(loss) for the period	94 100	(35 572)	(126 052)
Other comprehensive income, net of tax			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Actuarial gain/(loss) pension	0	0	(403)
<i>Items that will be reclassified to profit or loss in subsequent periods:</i>			
Available for sale investments - change in fair value	8 119	0	1 296
Total other comprehensive income, net of tax	8 119	0	893
Total comprehensive income/(loss) for the period	102 219	(35 572)	(125 159)

CONSOLIDATED BALANCE SHEET

NOK 1 000

	Note	31.03.16 (unaudited)	31.03.15 (unaudited)	31.12.15 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment		3 027	8 587	3 768
Capitalised exploration and licence costs	8	0	17 002	4
Tax receivable, refund tax value exploration expenses	10	35 476	114 938	0
Other receivables		7 634	4 337	7 634
Available for sale investments	12	34 411	0	10 886
Deferred tax asset	10	193 020	131 152	149 803
Total non-current assets		273 567	276 015	172 095
Current assets				
Prepayments and other receivables		72 761	104 166	57 631
Tax receivable, refund tax value exploration expenses	10	609 416	373 624	382 642
Cash and cash equivalents		48 313	19 178	34 829
Total current assets		730 490	496 968	475 101
Total assets		1 004 057	772 982	647 196
EQUITY AND LIABILITIES				
Equity				
Share capital	5	119 047	119 047	119 047
Share premium		965 772	965 772	965 772
Other paid-in capital		30 691	30 691	30 691
Retained earnings		(698 375)	(711 007)	(800 594)
Total equity		417 135	404 503	314 916
Liabilities				
Non-current liabilities				
Pension liabilities		2 626	9 704	4 524
Convertible loans	11	0	40 430	41 041
Total non-current liabilities		2 626	50 134	45 565
Current liabilities				
Current borrowings	9	508 032	193 694	253 295
Convertible loans	11	41 139	0	0
Trade creditors		4 204	39 551	1 720
Other current liabilities		30 921	85 100	31 700
Total current liabilities		584 295	318 346	286 715
Total liabilities		586 922	368 479	332 279
Total equity and liabilities		1 004 057	772 982	647 196

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NOK 1 000

	Note	Share capital	Share premium	Other paid-in capital	Retained earnings	Total equity
Equity at 1 January 2015		119 047	965 772	30 691	(675 435)	440 075
Total comprehensive loss for 01.01.15-31.03.15					(35 572)	(35 572)
Equity at 31 March 2015		119 047	965 772	30 691	(711 007)	404 503
Total comprehensive loss for 01.04.15-31.12.15					(89 587)	(89 587)
Equity at 31 December 2015		119 047	965 772	30 691	(800 594)	314 916
Total comprehensive income for 01.01.16-31.03.16					102 219	102 219
Equity at 31 March 2016		119 047	965 772	30 691	(698 375)	417 135

CONSOLIDATED CASH FLOW STATEMENT

NOK 1 000

	Q1 2016 (unaudited)	Q1 2015 (unaudited)	Year 2015 (audited)
Cash flow from operating activities			
Profit/(loss) before income tax	67 424	(149 914)	(525 131)
Adjustments:			
Tax refunded/paid	0	0	373 624
Depreciation	741	1 315	6 050
Gain from sales of licences	(1 169)	0	(5 367)
Impairment of capitalised exploration expenses	0	0	171 365
Pensions	(1 897)	(1 186)	(12 193)
Transaction costs and interest on borrowings recognised in P&L	8 445	4 190	21 037
Changes in fair value of conversion rights and loans at amortised cost	98	(37)	256
Debt-financed exploration expenses without impact on cash flows	0	0	9 531
Gain/loss from sales of available for sale investments	(3 513)	0	508
Gain from bargain purchase	(100 808)	0	0
Changes in current payables, receivables and other accruals	(1 957)	394	(15 071)
Net cash flow from operating activities	(32 635)	(145 238)	24 610
Cash flow from investing activities			
Purchase of property, plant and equipment	0	0	(277)
Proceeds from sales of property, plant and equipment	0	0	361
Proceeds from sales of licences	1 135	0	16 181
Capitalised exploration and licence costs	(0)	(5 462)	(200 170)
Purchase of available for sale investments	(20 118)	0	(10 434)
Proceeds from sales of available for sale investments	7 596	0	335
Proceeds from payments of other non-current receivables	0	52	750
Net cash flow arising on acquisition of subsidiary	5 979	0	0
Net cash flow from investing activities	(5 407)	(5 410)	(193 254)
Cash flow from financing activities			
Funds drawn borrowings	565 705	154 213	580 000
Repayments of borrowings	(506 898)	0	(378 102)
Transaction costs and interest on borrowings paid	(7 280)	(10 127)	(24 165)
Net proceeds from share issues	0	0	0
Net cash flow from financing activities	51 527	144 086	177 733
Net change in cash and cash equivalents	13 484	(6 562)	9 089
Cash and cash equivalents at beginning of the period	34 829	25 740	25 740
Cash and cash equivalents at end of the period	48 313	19 178	34 829

Notes to the interim consolidated financial statements first quarter 2016

NOTE 1 // General and corporate information

These financial statements are the unaudited interim condensed consolidated financial statements of North Energy ASA and its subsidiaries (hereafter “the group”) for the 1st quarter of 2016. North Energy ASA is a public limited company incorporated and domiciled in Norway, with its main office located in Oslo. North Energy ASA's shares were listed on Oslo Axess, an exchange regulated by the Oslo Stock Exchange, on 5 February 2010. The company's ticker is NORTH.

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 2015. The annual accounts for 2015 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 2015. New standards, amendments and interpretations to existing standards effective from 1 January 2016 did not have any material impact on the financial statements.

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 2015.

NOTE 5 // Share capital

Number of outstanding shares at 1 January 2016	119 047 065
New shares issued during the period	0
Number of outstanding shares at 31 March 2016	119 047 065
Nominal value NOK per share at 31 March 2016	1
Share capital NOK at 31 March 2016	119 047 065

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

No material events have occurred after the balance sheet date.

NOTE 8 // Capitalised exploration and licence costs

Acquisition cost at 1 January 2016	4
Additions in period, capitalised exploration and licence costs	0
Disposals in period, impairment	0
Disposals in period, sale	(4)
Acquisition cost at 31 March 2016	0
Accumulated amortisation and impairment at 1 January 2016	0
Impairment in period	0
Disposals	0
Accumulated amortisation and impairment at 31 March 2016	0
Carrying amount at 31 March 2016	0

NOTE 9 // Current borrowings

	31/03/16	31/03/15	31/12/15
Revolving credit facility (exploration loan), funds drawn	510 705	200 000	256 898
Revolving credit facility (exploration loan), transaction costs	(2 673)	(6 306)	(3 603)
Total carrying amount current borrowings	508 032	193 694	253 295

In March 2016 North Energy ASA and the fully owned subsidiary North E&P AS signed an agreement to renew their exploration financing facility for the period 2016-17. The facility is limited up to NOK 950 million.

NOTE 10 // Income tax

Specification of income tax	Q1 2016	Q1 2015	Year 2015
Calculated refund tax value of exploration costs this year	24 122	114 938	382 642
Of this, refund not recognised in income statement (acquisition of licences recognised net of tax)	0	0	0
Correction refund previous years	0	0	0
Change deferred tax asset in balance sheet	2 556	(596)	18 055
Of this, deferred tax asset not recognised in income statement (acquisition of licences recognised net of tax)	0	0	0
Of this, deferred tax asset not recognised in income statement (sale of licences recognised net of tax)	(3)	0	(189)
Of this, deferred tax asset related to items in comprehensive income recognised in comprehensive income	0	0	(1 429)
Of this, deferred tax asset related to equity transactions recognised directly in equity	0	0	0
Total income tax credit	26 675	114 342	399 079

Specification of tax receivable, refund tax value exploration expenses	31/03/16	31/03/15	31/12/15
Calculated refund tax value of exploration costs this year	35 476	114 938	382 642
Calculated refund tax value of exploration costs previous year	609 416	373 624	0
Correction refund previous years, not yet assessed	0	0	0
Total tax receivable, refund tax value exploration expenses	644 891	488 561	382 642
Of this:			
Classified as non-current	35 476	114 938	0
Classified as current	609 416	373 624	382 642

Oil exploration companies operating on the Norwegian continental shelf may claim a 78 per cent refund of their exploration costs limited to taxable losses for the year. The refund is paid in December the following year.

Specification of temporary differences, tax losses carried forward and deferred tax	31/03/16	31/03/15	31/12/15
Property, plant and equipment	(6 107)	(4 416)	(6 078)
Capitalised exploration and licence costs	0	16 539	4
Pensions	4 544	(6 528)	2 647
Current borrowings	2 673	6 306	3 603
Convertible loans and conversion rights	390	780	488
Other current liabilities	0	0	0
Tax losses carried forward, onshore	(26 305)	(31 166)	(26 279)
Tax losses carried forward, offshore only 25% basis	(210 614)	(148 484)	(170 927)
Tax losses carried forward, offshore only 53% basis	(944)	(931)	(944)
Tax losses carried forward, offshore both 25% and 53% basis	(178 741)	(124 260)	(134 576)
Total basis for deferred tax	(415 103)	(292 161)	(332 061)
Deferred tax (liability)/asset	199 611	139 587	156 388
Not capitalised deferred tax asset (valuation allowance) *	(6 591)	(8 435)	(6 585)
Deferred tax (liability)/asset in the balance sheet	193 020	131 152	149 803

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

Reconciliation of effective tax rate	Q1 2016	Q1 2015	Year 2015
Profit/(loss) before income tax	67 424	(149 914)	(525 131)
Expected income tax credit 78%	(52 591)	116 933	409 602
Adjusted for tax effects (27% - 78%) of the following items:			
Permanent differences	79 315	(15)	2 162
Correction previous years	0	0	0
Interest on tax losses carried forward offshore	0	0	1 708
Finance items	(43)	(2 575)	(12 399)
Changed tax rates from 1 January 2016	0	0	(3 845)
Change in valuation allowance for deferred tax assets	(6)	(1)	1 849
Total income tax credit	26 675	114 342	399 079

NOTE 11 // Convertible loans

Convertible loans from TGS Nopec with borrowing limit up to NOK 200 million and from Rex Technologies Management with borrowing limit up to NOK 100 million. The conditions of the loans are eight per cent annual interest and maturity in March 2017, during which repayments may be made but are not mandatory. The lender has an annual conversion right on the loan which has accumulated over a 12-month period. The conversion price is NOK 8 per share, however if the share price exceeds NOK 16 per share, the conversion price shall be adjusted upwards equal to the share price minus NOK 8.

NOTE 12 // Available for sale investments

Available for sale investments are investments in bonds and stock exchange-listed shares. The investments are measured at fair value. Changes in fair value, other than impairment losses, are recognised in equity through the statement of comprehensive income.

NOTE 13 // Fair value of financial instruments

The carrying amount of cash and cash equivalents and other current receivables is approximately equal to fair value, since these instruments have a short term to maturity. Similarly, the carrying amount of trade creditors, other current liabilities and current borrowings is approximately equal to fair value, since the effect of discounting is not significant.

The fair value of convertible loans is somewhat higher than the carrying amount, due to a reduction in market interest rate and credit risk since the borrowings.

Fair value of the stock exchange-listed shares is the stock market price at the balance sheet date (level 1 in the fair value hierarchy).

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

NOTE 14 // Business combination

In February 2016 North Energy completed the acquisition of 100% of the shares in North E&P AS (former Explora Petroleum AS) for a cash payment of USD 2.5 million. The transaction was approved by the Norwegian authorities in February 2016.

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

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

Details on the purchase consideration, the net assets acquired and gain from bargain purchase are as follows:

Purchase consideration:

Cash paid (USD 2.5 million)	21 390
Total purchase consideration	21 390

The fair value of the assets and liabilities, and gain from bargain purchase recognised a result of the acquisition:

Capitalised exploration and licence costs	0
Deferred tax asset	40 661
Prepayments and other receivables	21 683
Tax receivable, refund tax value exploration expenses	238 128
Cash and cash equivalents	27 369
Current borrowings	(195 000)
Trade creditors	(2 234)
Other current liabilities	(8 409)
Net fair value of identifiable assets acquired	122 198
Total purchase consideration	21 390
Gain from bargain purchase recognised in income statement	100 808

Loss contribution:

The acquired business contributed net loss of NOK 3.53 million to the group for the period from acquisition to 31 March 2016. If the acquisition had occurred on 1 January 2016, consolidated pro-forma net profit for the 1st quarter of 2016 would have been NOK 90.6 million.

Net cash flow arising on acquisition:

Cash and cash equivalents acquired with the subsidiary	27 369
Cash paid	(21 390)
Net cash flow arising on acquisition	5 979

North Energy ASA

Head office North Energy ASA

Visiting address:
Tjuvholmen allé 3
0252 Oslo

Postal address:
Postboks 1567 Vika
0118 Oslo

Telephone +47 78 60 79 50

Web site: www.northenergy.no
Business register number:
NO 891797702 MVA

Board of Directors North Energy ASA

Anders Onarheim (Chairman)
Jogeir Romestrand
Elin Karfjell
Johan Bjerka (employee representative)

Management

Knut Sæberg, CEO
Kristen Berli, senior vice president
exploration and new ventures

Investor Relations

Knut Sæberg, CEO
+47 918 00 720,
knut.saeberg@northenergy.no

Rune Damm, manager finance,
contracts and investor relations
+47 416 66 685,
rune.damm@northenergy.no

Annual reports and quarterly reports are
available from our website www.northenergy.no